

FINANCIAL TIMES

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D 8523 A

Angola: a change of mood, but not of prospects, Page 21

World News

Nakasone flies in with cash offer

Japanese Prime Minister Yasuhiro Nakasone will offer financial assistance for attempts to keep the Gulf shipping lanes open when he meets President Ronald Reagan in New York today.

Pakistan suspects

More than 80 Afghans and several Pakistanis have been arrested for alleged involvement in a wave of bomb blasts in Pakistan.

Channel sailors killed

Two Yugoslav sailors were killed when their ship was in collision with a Norwegian cargo vessel in thick fog in the English Channel off the Breton coast.

Bangladesh flood tax

Bangladesh announced increased income tax rates for the worst floods in 40 years.

Support for Aquino

A march to two Philippine army camps, intended as a demonstration of support for President Corason Aquino, was attended by less than 4,000 mainly middle-class people.

Plot to kill Haughey

Police in Dublin are investigating an alleged plot by Protestant extremists to kill Irish Prime Minister Charles Haughey.

Trade talks hope

Free trade talks between the US and Canada were entering their final phase amid hopes of a breakthrough on the key issue of dispute settlement.

Afghan rebel strike

Afghan rebels had killed two people in a mosque when they fired rockets into a town in the northern province of Balkh, Kabul Radio reported.

Body found in Alps

The body of a British climber, missing since early this month, had been found on Mont Blanc but his companion was still missing, French police reported.

Cuomo in Moscow

New York State Governor Mario Cuomo arrived in Moscow for meetings with officials and academics.

India warns Tamils

India promised firmness in implementing the Sri Lankan peace plan despite opposition by guerrillas of the Liberation Tigers of Tamil Eelam.

Central America plea

Latin American foreign ministers called for economic support for the Central American peace plan at the annual ministerial council of the Latin American Economic System in Caracas.

Managua gesture

Nicaragua's Sandinista Government would allow the opposition paper *La Prensa* to reopen immediately and without prior censorship, Foreign Minister Miguel d'Escoto said.

Israelis on strike

Some 150,000 public workers began a week-long strike throughout Israel over wage demands.

Prost sets record

World champion Alain Prost surpassed Jackie Stewart's record of Grand Prix wins when he won his 28th, the Portuguese, breaking the lap record four times.

Shamir denies link

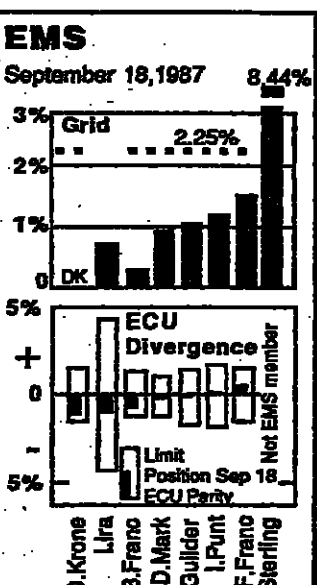
Israeli Prime Minister Yitzhak Shamir denied knowledge of talks between members of his Herut party and supporters of the Palestine Liberation Organisation.

Business Summary

Suez to limit foreign share of offering

COMPAGNIE FINANCIERE de Suez, French banking and investment group to be privatised, has announced that it will limit its international offering to about FF7.2bn (\$330m), well short of potential foreign demand. The group has already received commitments from a number of overseas fund managers promising to hold onto any shares they receive for at least six months. Page 22

EUROPEAN Monetary System: Trading conditions were a little more relaxed last week, mainly because of a firmer dollar. This reduced the value of the D-Mark and effectively stalled any build-up of pressure on the weaker currencies. Consequently central banks were not active, and the weakest member, the Danish krone, was trading comfortably within its divergence limit.



The chart shows the two currencies on the European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each currency's divergence from the 'central rate' against the European Currency Unit (ECU), itself a basket of currencies.

SWEDEN is to introduce a turnover tax on transactions in the money market and futures and options markets. The new tax will be levied at a rate of 0.03 per cent on the turnover of interest-bearing securities and is expected to raise around SKr1bn (\$157m) a year.

EUROFUTURES, the Anglo-French Channel tunnel consortium, which plans a £750m international share issue in November, has criticised its contractors for delays, inefficiency and failing to comply with obligations. Page 22

COMPAGNIE d'Investissements de Paris, investment subsidiary of state-owned Banque Nationale de Paris, plans to raise FF7.35bn (\$220m) through a one-for-three rights issue, just two months after its flotation on the Paris stock exchange. Page 23

CONTINENTAL Corporation, one of the largest US property and casualty insurers plans to divest its life insurance companies which have a book value of \$42m. Page 24

SEB, leading French producer of household electrical equipment, has doubled its first half profits to FF170.4m (\$28.3m) and expects net earnings for the full year to rise by 30 per cent. Page 24

ITALIA OGGI, independent financial newspaper launched ten months ago, has been sold by its proprietors after incurring losses of £20bn (\$35.4m). Page 3

THORN EMI, diversified UK electronics and retailing group, is planning to expand its retail operations in North America and to organise its purchasing on a global basis. Page 16

UK INDUSTRIAL output is still rising strongly, reports the CBI, although a weakening in export orders has cut the rate of increase. Nearly 40 per cent of companies expect output to rise in the rest of the 1987. Page 16

Arab League calls summit in new bid to end Gulf war

BY JOAN WUCHER KING IN TUNIS AND RICHARD JOHNS IN LONDON

ARAB foreign ministers meeting in Tunis yesterday, decided to call an extraordinary summit of the Arab League to discuss the Gulf war and ways of ending it. The summit will be held on November 8, probably in Amman, Jordan. Under the plan accepted by nearly all members of the Arab League yesterday, the summit deliberations will be restricted to the conflict. Earlier yesterday, in what could prove to be an escalation of the "tanker war" in the Gulf, a Saudi Arabian products carrier, the *Petrostar 2*, came under a machine-gun attack from an Iranian launch. There were no casualties and it was able to continue its voyage to the Red Sea without assistance. It was the first Iranian retaliation for Iraqi strikes against its oil traffic which were resumed in the wake of the failed peace mission to the Gulf by Mr Javier Perez de Cuellar, the UN Secretary-General. The attack followed several days of heavy Iraqi raids against oil and other economic targets, including a confirmed strike last Friday against a Cyprus-registered supertanker, the 228,919 tonne *Actinia*. Hitherto, with the exception of one incident last year, Iran has concentrated almost exclusively on Kuwaiti shipping and has maintained a tacit stand-off regarding Saudi Arabia's vessels. The decision to call the summit was unanimous, but Syria had evident misgivings about the forthcoming meeting in seven weeks' time being limited to the one issue. Syria would like other topics, in particular the Arab-Israeli conflict, to be discussed. By calling for a meeting of Arab leaders the foreign ministers and (in the absence of four of them) representatives of the 21 member states avoided the issue of whether to impose diplomatic sanctions against Iran by breaking off relations because of its failure to accept unequivocally UN Security Council Resolution 598 of July 20 and its call for a ceasefire. The original purpose of Sunday's meeting in Tunis was to review the situation and decide whether to call for a ceasefire by September 20 in line with the decision of the previous meeting in Tunis on August 23. At the Tunis meeting Syria opposed moves, led by Saudi Arabia and its allies, to isolate Iran and is believed to have

Peugeot chief threatens to quit over Renault aid

BY PAUL BETTS IN PARIS

MR JACQUES CALVET, head of the Peugeot-Citroen car group, has threatened to resign as chairman of France's largest private enterprise if the French Government goes ahead with plans to bail out Renault, the state-owned car group, with a major new cash injection. In the run-up to next spring's presidential elections, the threat of a major confrontation between Peugeot and the French Government would have far-reaching political repercussions at a time when the Chirac Administration is already coming under attack for manipulating its privatisation programme to the advantage of its political friends on the right. Mr Calvet is understood to have already told the Government chairman if the Renault financial salvage plan distorts the French car market and gives the state car group an unfair competitive advantage against its private sector rival. Mr Calvet has argued that a major injection of state funds totalling about FF10bn into Renault, on top of the FF10.9bn it has already received since 1983, would give the state group an unfair competitive advantage over Peugeot. Moreover, Mr Calvet has emphasised that Peugeot, itself in dire financial straits a few years ago, managed to pull itself back into the black through its own resources without Government help. Peugeot is also worried by the potential huge tax carry-back advantages, worth about FF27.7bn, on Renault's future profits once the state group is converted into an ordinary state-controlled enterprise. Although the Government had virtually finalised its plans for

EC ministers face Commission ultimatum on steel industry

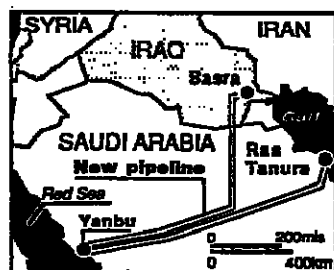
BY WILLIAM GAWKINS IN BRUSSELS

INDUSTRY MINISTERS from the 12 EC member states meet in Brussels today to face an uncomfortable ultimatum from the European Commission over the future of the Community's steel industry. They will be told to agree on a final date for the ending of the costly price and capacity-sharing arrangements that have cushioned steel producers from their recession since 1980. According to diplomats, the Commission will also ask ministers to commit themselves to cuts well into the double figures in the EC's 30m tonnes steelmaking overcapacity by November 30. If ministers fail to agree on these measures, Mr Karl-Heinz Narjes, the Industry Commissioner, has promised to scrap EC-imposed quotas from the end of the year, a prospect which many producers fear will plunge them into a price war, with the loss of many thousands of jobs. Today's meeting is the industry ministers' first chance to discuss Brussels' elaborate package for the future of steel since its adoption by the Commission last July, although it has circulated among national officials and a sceptical steel industry. Even at this stage, it is clear that Mr Kenneth Clarke, Britain's Industry Minister, will be fighting a lone cause. The UK is the only member state not to accept Brussels' proposal that quotas should continue for three years for the most politically sensitive products - hot rolled coil, cold rolled sheet, plate and heavy sections - so long as adequate closures can be found. The UK, with its newly profit-



Industry Commissioner Karl-Heinz Narjes: ready to scrap steel quotas

able steel industry, wants an immediate end to quotas and is highly sceptical about the industry's ability to agree on adequate closures. This view has the sympathy but only partial support of the Netherlands, which would rather halve the Commission's three-year quota extension. Member states are in even deeper disarray on other parts of the complex package. The proposals as they stand are unlikely to win the overall support of the qualified majority, including two of the big four steel producers, France, Britain, Germany and Italy, needed under EC steel rules. To complicate matters further, the Commission is asking governments to produce closures that could have dramatic domestic political consequences. Eurofer, the "club" of big integrated steelmakers, did earmark just over 15m tonnes for closure earlier this year, but the Commission feels this is not nearly enough to justify continuing quotas because it consists largely of cuts that were going to have been made in any case. More seriously, the Eurofer offer contains nothing to reduce the 10m tonnes of hot-rolled wide-strip capacity - equivalent



Germans lose Iraqi oil pipeline bid contest

By Tony Walker in Baghdad

IRAQ has awarded a \$1.5bn oil pipeline contract to an Italian-Japanese consortium. The 1,000km pipeline, through Saudi Arabia, will sharply increase Iraq's oil export capacity to more than 3m barrels a day, equivalent to pre-war levels. The agreement, signed in Baghdad at the weekend by representatives of ECOF, the Iraqi oil projects company, and Saipem of Italy, is a major blow to West German industry. Mannesmann was believed to be close to winning the contract when Mr Hans-Dietrich Genscher, the West German Foreign Minister, offered Baghdad in July by suggesting in an interview that Iraq had started the war with Iran. Iraq reacted angrily, suspending negotiations with the West German company. Bonn engaged in desperate diplomatic efforts, including an offer by Mr Genscher to visit Iraq, in an attempt to mollify the Iraqis. The successful consortium also includes Mitsubishi of Japan, Hyundai of South Korea and Ssangyong of Korea. The new pipeline, due to be completed by mid-1989, will give Iraq the ability to transport 1.5m b/d through Saudi Arabia. It is presently exporting 500,000 b/d through the Saudi pipeline to a loading port at Yanbu on the Red Sea. Iraq's Opec quota is 1.54m b/d. It is exporting up to 2.3m b/d of crude oil and a small quantity of refined product. In addition 1.5m b/d is being exported through two Turkish pipelines, 500,000 b/d through the Saudi pipeline, and about 250,000 b/d by truck through Jordan and Turkey. Issam Abdul-Rahim al Chalabi, Iraq's oil minister, told a Baghdad news conference yesterday that the IPSA-2 (Iraqi Pipeline through Saudi Arabia) was a major undertaking. The project is being financed, according to Western sources, by a cash down-payment and all. Mannesmann had emerged as a low bidder in a fierce bidding battle with separate consortiums led by Salpm and Mitsubishi. The Japanese and Italian groups joined earlier this year to "take on" the Germans who had lodged a highly competitive tender.

Argentina sets strategy for IMF loans

BY TIM COONE IN BUENOS AIRES

ARGENTINA will no longer accept loan conditions from the IMF which do not coincide with the national interest, according to President Raul Alfonsín. In a televised address to the nation at the weekend, to outline the future course of economic policy to be followed by his new Cabinet, he said that the limited room for manoeuvre available to make economic adjustments "is being reduced even more by the way in which the international Monetary Fund acts." He said that future agreements with the Fund would, therefore, be made "compatible with the idea of growth." He also repeated earlier statements that Argentina would in future seek a freezing of interest rates on its foreign debt. He said the rise in rates this year would cost Argentina \$700m more than planned and that such fluctuations made it "difficult to think of planning or even to administer the state's resources." "It is not possible to continue with these levels of uncertainty and therefore we shall negotiate an upper limit to the interest rate," he said. He insisted, however, that there would be no unilateral action by Argentina with its creditors. "Negotiation is the instru-

Poland needs 'faster economic reforms'

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND MUST speed-up market orientated reforms if it is to surmount its balance of payments problems and regain access to much needed Western capital and technology, says the World Bank in a major report completed last month, almost a year after Poland joined the international lending agency. The Bank praises the latest Polish plans to achieve an external current account surplus in 1991 as "generally feasible," but argues that general efficiency and domestic demand management must improve if this result is to be attained. The report comes as the Polish authorities are struggling to produce a detailed economic reform package which tackles the issue of how quickly, and by how much, to raise prices to achieve market equilibrium. Conservative lobbies are also seeking to defend established priorities for heavy industry, while government officials are fighting to maintain central powers threatened by the proposed changes. In an indirect reference to these debates the report admits that "in theory the recovery of the Polish economy might be attempted by a return to methods associated with traditional central planning, but in practice this option is not viable." The bank has identified three areas where loans would directly boost Poland's export capacity - food processing, equipment to maintain coal production levels, and the reduction of bottlenecks in industry to provide higher export sales growth. Polish authorities hope that decisions on such new credits, which could be in excess of \$300m, will be taken soon. In June the Poles presented a revised scenario for external adjustment which assumed that hard currency exports would

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OVERSEAS NEWS

Liberal concern tempers applause for Pope

BY LOUISE KEHOE IN SAN FRANCISCO

HUNDREDS of thousands of American Roman Catholics roared their applause at spectacular open-air Papal Masses in California last week, as Pope John Paul II concluded his ten-day whirlwind tour of the US. At San Francisco's Candlestick Park, which, in spite of its name, is more commonly used to stage baseball and football games than religious services, 70,000 worshippers gathered at dawn to greet the pontiff at last Friday morning's Mass. Earlier last week, even bigger crowds were drawn to Masses in Los Angeles and Monterey.

But the warmth and excitement engendered by the charismatic pontiff's appearance was tempered by his reiteration of the Vatican's firm conservative stand upon such controversial

issues as the role of women in the male-dominated Catholic Church, homosexuality, birth control and divorce. At a meeting with representatives of the laity in San Francisco, several American Catholics expressed their concerns. "Though I know the church is not a democracy ruled by popular vote, I expect to be treated as a mature, educated and responsible adult," Donna Hanson, volunteer head of the national lay advisory council of the National Conference of Catholic Bishops, told the Pope. "I do not always feel that I am heard," Mrs Hanson added.

Responding to the laity, Pope John Paul II praised the traditional role of women as mothers and educators and reaffirmed his stand against artificial birth

control, despite mounting evidence that a majority of American Catholics dissent. While the Pope gave American liberal Catholics little hope of any imminent change in the Church's stand on social issues, many were surprised and pleased by the frank discussions that have taken place during his visit. Such exchanges, they had been allowed in the past, would almost certainly have been private, observers noted. In San Francisco, where homosexuals mounted a protest demonstration against the Pope's visit, John Paul II met and blessed several AIDS sufferers and said that those afflicted with the disease "are in the heart of the church" and should be treated with com-

passion and love. He remained silent, however, on the issue of homosexuality, which the church has said is "intrinsically evil." Hispanic American Catholics, who now number about 38 per cent of the 52m US Catholics, received special recognition. On several occasions, including the Pope's mass in Monterey, California, where a large portion of the congregation was made up of the families of migrant Mexican farmworkers, Spanish, language and English readings were interspersed. The Pope appeared to be determined to unite his diverse flock in the US, which has been increasingly torn by cultural clashes. The growing dominance of Hispanics in the US Catholic church has yet to be reflected,

in the US hierarchy and has led to resentment among established American sectors of the Church. As the Pope concluded his US tour on Sunday, American Catholics began to assess the impact of the visit. It was, according to Archbishop John Quinn of San Francisco, a triumph that can be measured "not in terms of the number of tickets sold, but... like trying to measure the beauty of the sunset." For millions of Americans, however, the visit of their spiritual leader has accentuated the contrast between a Polish Pope for whom freedom of religion remains a major goal and an American congregation among which freedom of expression and freedom of conscience are established rights.

Shamir lists South Africa sanctions

MR YITZHAK SHAMIR, the Israeli Prime Minister, said Israel is to reduce ties with South Africa further to keep up with other Western countries, Reuters reports from Jerusalem.

"It is hard for Israel to be exceptional from all Western nations. We did what we saw had to be done, no more or less," Mr Shamir, leader of the rightist Likud bloc, told state radio.

Israel's policy-making inner Cabinet agreed last week on 10 sanctions limiting cultural, economic, scientific and sporting links along with official visits. Israel agreed last March not to enter into new military deals with Pretoria.

The Israeli Foreign Ministry on Friday issued the list of sanctions. They included:

- No new Israeli investments in South Africa will be approved. Proposed exceptions must be submitted to a government committee.
- Israel will prohibit the granting of government loans to South Africa, the sale and transfer of oil and its products and the import here of Kruggerands.
- The import quota for iron and steel will be frozen so as not to exceed its present volume.
- Cultural ties will reflect Israel's negative view of apartheid.

Genscher calls for faster pace of EC integration

BY DAVID MARSH IN BONN

MR HANS-DIETRICH Genscher, the West German Foreign Minister, has urged Western Europe to speed up faltering moves toward political and economic integration in response to the new policy of openness from the Soviet Union.

In a newspaper article published at the weekend, Mr Genscher warned of the risk that "dynamism" in East-West relations could be accompanied by "sloth and standstill" in co-operation among Western European countries.

Mr Genscher said that, previously, the West was thought likely to speed up convergence only under the threat of Soviet pressure.

"That was old thinking. New thinking requires that we understand the Soviet readiness for openness and co-operation as a challenge for the European

Community, and that we therefore decisively take the road towards European Union."

Officials close to Mr Genscher say he wants a more vigorous and united EC in order to tie the Federal Republic as closely as possible to its links with the West. With West Germany's front-line East-West position making it uniquely susceptible to Mr Mikhail Gorbachev's overtures, he is concerned to prevent any eastwards "drift" in response above all to the new mood of rapprochement with East Germany.

Mr Genscher said the planned 1992 move to a genuine internal EC market had a "political dimension" by demonstrating the "irreversible development of the EC."

His plea for greater co-operation in technology and space-

flight and a move to monetary union through strengthening European Monetary System was also designed to lay down a marker for the West German EC presidency in the first six months of 1988.

Mr Genscher hopes to revive the Bonn Government's presently flagging enthusiasm for the EC cause. The Government has blocked moves toward agricultural reform because of the need to pacify protesting West German farmers, and has also been far more lukewarm than France over cutting EC trade barriers.

But Mr Genscher is on a potential collision course with Mr Gerhard Stoltenberg, the Finance Minister, who is worried about the financial burdens of repairing the Community's budgetary crisis.

Central American talks end

CENTRAL AMERICAN foreign ministers ended two days of talks on their new peace treaty in the Nicaraguan capital on Friday night having made some procedural progress, Peter Ford reports from Managua.

Most importantly, they postponed discussions of the pact's key elements — simultaneous enactment of the several commitments their presidents made

last month — until a sub-committee meets in early October.

That group will also consider "the deadline by which all the commitments should be carried out," the ministers said in their final communique. This seemed a step back from the November 7 deadline set by the Guatemala Treaty.

The original timetable "was much too optimistic," said one diplomat at last week's meeting.

The peace treaty commits Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua to ensuring that ceasefires and armistices have been declared in all the region's wars by November 7, that their political systems are democratic, and that no guerrillas are using their territory for sanctuary. All those steps are due to be taken simultaneously.

Mexico to sell silver certificates

By Lucy Conger in Mexico City

MEXICO will begin sales on Thursday of silver certificates, a new investment instrument for domestic and foreign investment.

The certificates will lift lagging domestic demand for silver and expand the variety of instruments available on Mexico's booming stock exchange, said Mr Miguel Manera, head of the central bank. The certificates "open the possibility of a metals futures market in Mexico," said Mr Jaime Corredor, director-general of Banco Cerezo, Mexico's largest producer of silver.

The creation of the new instrument comes as stock brokers are beginning to set up a domestic agricultural commodities market and Mexico's capital markets are undergoing rapid expansion.

The certificates, called *Seplatras* in Spanish, each represent 100 troy ounces of silver, backed by silver bars, and will be sold by banks and stock brokers to individual and institutional investors at the international silver market price on the date of sale.

The first issue of 40,000 certificates covers 4m troy ounces of "good delivery" quality silver, or 5 per cent of Mexico's annual output.

Voest-Alpine denies arms plan

BY JUDY DEMPSEY IN VIENNA

THE CHIEF executive of Voest-Alpine, Austria's largest state-run steel and engineering group, has denied press reports that the company was planning to build an arms factory in Iran.

Dr Heribert Lewinsky who faced a tough interview on Austrian television last week, said that Noricum, the weapons division of Voest-Alpine was not negotiating to win a contract to build such a factory. However, he said, Noricum was pursuing a contract to supply metals materials to Iran.

The materials, Dr Lewinsky said, would have the potential, if combined with other products, to be converted into weapons. But at the moment, he said, Noricum was not contravening any government legislation. The Austrian authorities refuse to allow Austrian companies to build factories exclusively for weapons.

Meanwhile, investigations continue into allegations that Noricum illegally sold weapons to Iran in 1985 and 1986.

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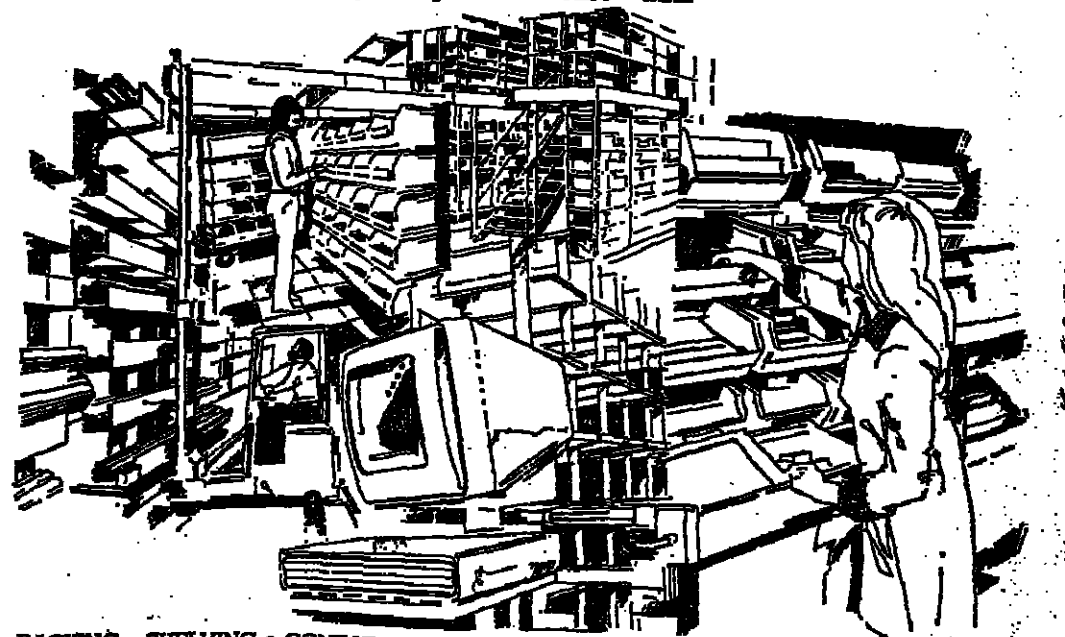
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Asian countries warned about trade imbalance

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

A US Treasury official has warned that newly industrialising economies in Asia, in particular Taiwan, are likely to come under increasing pressure from the leading industrial countries to do more to reduce their trade surpluses and contribute to the correction of international trade imbalances.

"The Nics (newly industrialising countries) have been increasing their surpluses with us at a time when our (trade) figures are showing some improvement," the official said in an interview with the Financial Times. "That means our (trade) problem with them is even more urgent than with the G7—the group of seven leading industrial countries."

The official confirmed that the US has been pressing Taiwan, Hong Kong and South Korea to restructure their economies and to appreciate their currencies in order to reduce their trade surpluses. He pointed out that particularly in the case of Korea, in part because of the political situation there, the US has had to be circumspect in how it proceeds.

But he added that as a result of a recent trip to Europe where it was now apparent that the Nics are making big inroads and "the Europeans are feeling the edge of that knife for the first time," the US now senses a growing consensus among the industrialised countries that the Asian Nics must do more to open up their economies and reduce their trade surpluses.

"Taiwan," he said, "is the most egregious example" of an economy which is failing to address these issues vigorously enough.

Questioned about the meetings of industrial country finance ministers and central bankers in Washington later this week, the official said that he expected three major concerns to be raised.

One, he said, was whether the US would be able to deliver budget deficit reductions in 1988 (which he insisted it would), another was the fear that in devising its 1988 budget Japan would take back some of the economic stimulus in its 1987 budget and a third was West German economic growth. "Germany clearly needs to review its situation," he said.

Brazil's projected trade surplus for 1987 rises

BY ANN CHARTERS IN SAO PAULO

BRAZIL'S projected trade surplus for the year has risen to \$6.6bn (\$5.6bn) from \$8.7bn, the national foreign trade agency Cacex having revised it on the strength of the August surplus being \$1.43bn.

Exports totalled \$2.75bn, with vehicles contributing \$280m and soybeans and derivatives \$279m. Imports were \$1.32bn. The August 1986 surplus was \$949m.

The new projection is based on the presumption that Brazil will have an average monthly trade surplus of \$790m for the rest of the year. Mr Namir Salek, Cacex director, indicated that the target took into account increases planned for imports, which are already 14 per cent ahead of the levels of January-August a year ago (excluding petroleum and wheat).

Cacex has been under pressure from industry to free imports of capital goods and of products used as components or in manufacturing for export. The agency said that, starting next month, the backlog of applications for import licences should be cleared up.

About 2,500 products are expected to be removed from a list of 4,500 suspended imports as of tomorrow, those restored being likely to include materials for exporters' manufacturing.

Exports for the first eight months of the year were \$16.29bn, down 1.8 per cent on the 1986 level. The Central Bank announced the expansion of funds available for export credit from \$300m to \$800m, so as to facilitate finance for companies which are having difficulty arranging credit with private international banks due to Brazil's moratorium on service of its foreign debt.

Brazilian land minister appointed

By Our Sao Paulo Correspondent

BRAZIL'S new Minister of Agrarian Reform and Development, Mr Jader Barbalho, former governor of the northern state of Para, is to take office on Tuesday. He succeeds Mr Marcos Freire, who was killed in an air crash two weeks ago.

Mr Barbalho will take up the enormous task of settling landless farmers and resolving land disputes in connection with the government's ambitious and slow-moving programme to place 7.1m landless families on their own plots by 2000.

He was appointed at the weekend by President Jose Sarney and will be the fourth person to take the post.

Para is one of the most conflictive states in the country, the scene of violent land disputes involving rural labourers, poor migrants seeking land, and gunmen hired by landowners. An opposition party politician since 1966 and governor from 1982 to 1986, the new minister is well acquainted with the problems of agrarian reform in the state.

Mandela seeks to stop British TV film

MRS WINNIE MANDELA, the black South African anti-apartheid activist, has told her lawyers to stop British television showing a film on her life with her husband Mr Nelson Mandela, the nationalist leader, but the producers said yesterday it would be screened, Renter reports.

Mrs Mandela, whose husband was jailed for life in 1964, told Johannesburg's Sunday Times: "This film serves no political purpose and was made solely for commercial reasons."

But a spokesman for producers Television South said the two-and-a-half-hour film "Mandela" would be seen in Britain and throughout the English-speaking world except in South Africa. "By the end of this coming week, the film will have been shown to the entire English-speaking world except for South Africa. The film will publicise their case and could be of tremendous value for the Mandela," Mr Gordon Tucker of Television South told Renter.

Italian financial newspaper sold

By Alan Friedman in Milan

ITALIA OGGI, the independent Italian financial newspaper launched ten months ago, has been sold after incurring heavy losses.

Mr Giuseppe Cabassi, the Milanese property developer, has paid L35bn (£16m) to buy 71 per cent of IPSOA, the textbook and trade publications group that owns Italia Oggi. The sale of Italia Oggi to Mr Cabassi was already yesterday creating a storm in the world of Italian journalism because of fears by its editor that its editorial freedom could be restricted.

Mr Marco Berra, the editor of Italia Oggi and one of Italy's most distinguished financial journalists whose father and grandfather worked for The Times of London yesterday declared: "I do not see how it is possible to continue to edit an independent financial newspaper with this proprietor."

Mr Cabassi, for his part, has promised full editorial freedom to Italia Oggi, which has lost L20bn since its launch, largely because of excessive distribution costs.

THERE WILL be a bustle tomorrow afternoon outside 2 Gerichtstrasse, a busy street on the eastern edge of Frankfurt's main shopping district.

Inside the city's Fourth Chamber for Commercial Affairs, Judge Leimert is about to embark on the first public airing of the strange goings-on leading up to the DM 473m foreign exchange fraud at Volkswagen, Europe's biggest car producer, in March this year.

While police and state prosecutors continue to investigate the criminal aspects of the affair in the northern city of Braunschweig, near VW's headquarters, Judge Leimert is presiding over a civil case brought, not by VW, but by the National Bank of Hungary.

The Hungarians are involved because the bulk of VW's losses—some DM 382m—came from eight fraudulent forward foreign exchange contracts transacted with the bank by members of VW's currency dealing staff.

Such contracts are a regular feature of the foreign exchange markets, where companies negotiate advance exchange rate deals with banks in order to bring some certainty to future exchange rates, or simply to indulge in some profitable arbitrage.

Mr Joachim Schmidt, the

missing Frankfurt foreign exchange broker, is believed to have been involved in the affair between VW and the National Bank of Hungary. He is still being sought by German public prosecutors.

By going to the courts, the National Bank of Hungary wants to establish that VW has no legal claims against it. The precedent for the other deals, and will save money for both parties—and especially the bank, which, as plaintiff, has to cough up advance costs.

Even before a judgment is reached, the legal costs involved will be extremely high. Costs in the German courts depend entirely on the size of the sum at issue. In this DM 63m case

Europe's biggest car manufacturer and the National Bank of Hungary meet in the civil courts in a dispute that will be long, expensive for both parties—and may highlight legal divisions between East and West

bank has taken out a "negative Feststellungsklage," a German legal device which asks a court to determine that certain facts—or claims—are incorrect or have not taken place.

The claims in question are that banks share some of the responsibility for the currency manipulation—and, by implication, should bear some of the cost.

By bringing the action over only one of the contracts, for DM 63m, rather than all eight, the bank is simplifying matters for both sides and minimising its risks. A test case will set a

high court, will add a further DM 2.18m to the bill. And should it come to an action for the entire DM 382m, the legal costs become astronomical; DM 10m in the first instance, and another DM 18m for the Oberlandesgericht.

But VW can hardly press for the full DM 382m if the Hungarians lose their case, since some of its own staff were involved in the manipulation. When VW first released the news of the fraud earlier this year it made clear that it hoped to be able to recover some of the money, and that DM 473m was a ceiling.

Since then, VW has had some limited success. In June, it embarked on legal steps in Switzerland to freeze some of Mr Schmidt's assets, and took out four summonses against him totalling DM 40m. Similar action to freeze his assets has been taken in Liechtenstein and Germany.

Exactly how long the present case will last, is not clear. Although the Hungarians would probably like a quick solution to clear their name, the affair could drag on. Media attention can only grow should the hearings come to include a cavalcade of banking specialists, company big-wigs—or even Mr Junger himself—parading before the tribunal.

The case is likely to be both long and expensive. Lawyers say the case is almost certain to go to appeal, and very possibly to the Bundesgerichtshof, the German federal court of third instance in Karlsruhe, too. Just taking the case to the Oberlandesgericht, the state

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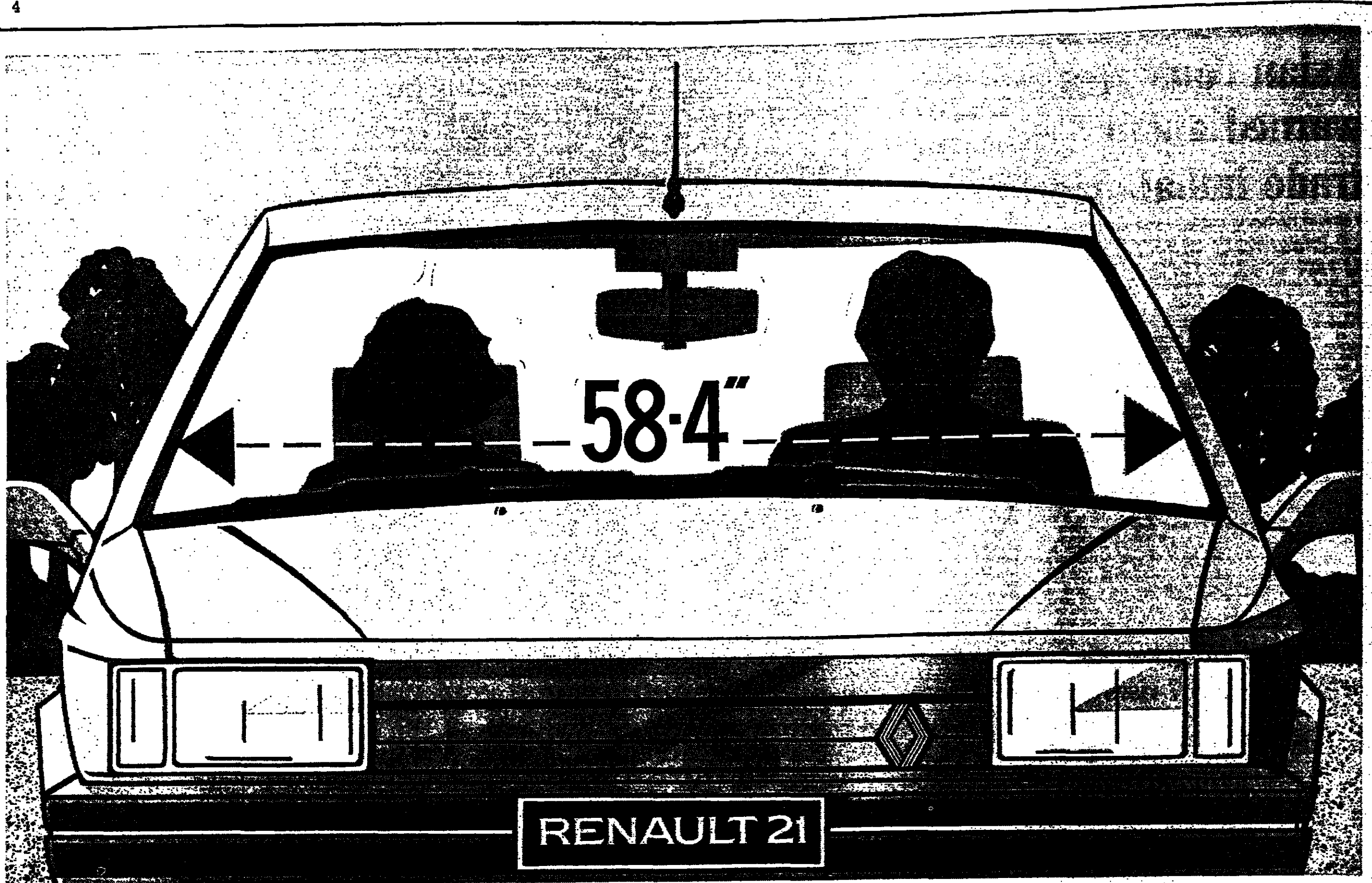
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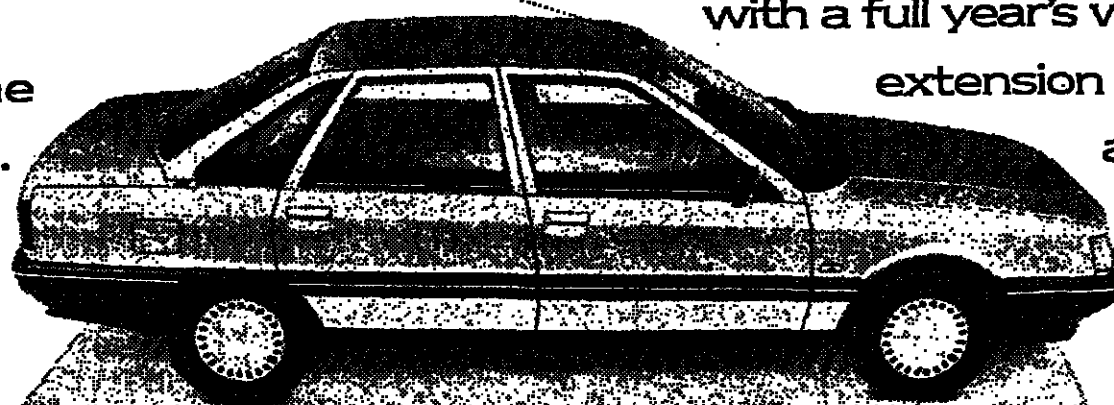
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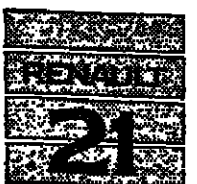


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Bofors admits it paid SKr 319m to win contract

BY JOHN ELLIOTT IN NEW DELHI

BOFORS OF Sweden paid SKr 319m (US\$20m) to three foreign consultancy companies involved in helping it to win a \$1.4bn howitzer contract in India. But neither Mr Rajiv Gandhi, Prime Minister, nor any members of his family, received commissions or payments from the company.

This was stated in New Delhi over the weekend by Mr Per Ove Moreberg, Bofors president, and Mr Lars Gorthun, senior vice president, after they had been questioned by a parliamentary committee set up by the Indian Government to look into allegations that bribes were paid to Indian officials. Bofors, appearing in front of the committee, they had long talks with top Defence Ministry civil servants.

They refused publicly to announce the names of the companies which they said were not Indian. But they said the names had been given to the Defence Ministry, which was expected to pass them to the committee. They denied Bofors had conspired to bribe anyone.

However, the visit of the executives has failed to quell a five-month political controversy in India over the bribery allegations, which have been a big factor in reducing the authority of Mr Gandhi's Government. The amount of money which the executives said had been paid considerably exceeds earlier reported figures.

Opposition politicians, who are demanding that the contract be cancelled if Bofors does not reveal all relevant names, suspect that the information handed over to the Defence Ministry will not reveal the precise identity of those eventually receiving any bribes.

The politicians are still pressing allegations that members of Mr Gandhi's Italian-born wife's family may be involved. It is widely assumed in India that Mr Gandhi would have to resign if it were found to be true. Mr Moreberg said the SKr 319m was paid to the three companies to terminate their services before their contracts had expired, in line with Indian government instructions that no agents were to be involved in the gun deal.

Usually Bofors paid 12 per cent commissions to consultants helping to win contracts. It had paid SKr 200,000 a year from 1973 to 1981 to Mr Win Chadha, its former Delhi-based agent, now living in the US, who the Indian Government wants for questioning. The company executives said they did not expect the contract to be scrapped. Once the current controversy had been settled, they expected that the second part of the contract would go ahead for the transfer of technology to enable India to make the guns itself.

He pledged that the Government would check sales details with clients rather than rely on Swedish suppliers.

On admissions by Bofors that

Swedish minister pledges tighter arms export curbs

MR STEN ANDERSSON, the Swedish Foreign Minister, said yesterday he would tighten weapons export procedures to prevent further smuggling scandals such as the one involving Bofors, the arms manufacturer. Reuter reports from Stockholm.

Speaking at the ruling Social Democratic Party congress, he said Swedish companies would not be allowed to sell abroad or draft preliminary contracts for arms deals unless government approval had been given. He promised to simplify the paperwork so that legitimate weapons deals would not be delayed by red tape.

He pledged that the Government would check sales details with clients rather than rely on Swedish suppliers.

On admissions by Bofors that

the Prime Minister, that a high

planned budget deficit of

RS 56,88bn for 1987-88, which

has caused some controversy

would not be exceeded.

A week ago cuts in spending

on items such as government

travel and publicity budgets

were introduced. These are

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savings are expected later

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Mr S. Venkatarmanan, the

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Saturday that the tax and duty

surcharges had been designed

to hit only the rich, sparing the

middle and lower classes. This

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OVERSEAS NEWS

New airline computer network

By Michael Dorn

A BIG airline computer reservations system is likely to be created soon by Cathay Pacific of Hong Kong, Japan Air Lines, Qantas of Australia, Singapore Airlines and Thai International. It would compete with the two similar systems being set up—the Amadeus group which includes Air France, Iberia, Lufthansa and Scandinavian Airlines System, and the Galileo group which includes British Airways, British Caledonian, KLM of the Netherlands, Swissair and United Airlines (Covia) of the US.

Like the other two, the new group will offer a complete range of airline reservations, hotel bookings, car hire and other facilities.

Mr Michael Miles, chairman of Cathay Pacific, said in London that each of the five airlines in the proposed new venture had been discussing the matter for some time, and a formal round-table meeting of the five would take place soon to discuss the next step. Although the new group would primarily bring together airlines in the Far East, south-east Asia and Australasia, it would be open to any other airlines.

Mr Miles also revealed that Cathay Pacific was now looking for a new medium-range airliner to supersede its existing fleet of 10 Lockheed TriStars. Up to 10 new aircraft would be required, worth about \$500m.

US-Canada pact on trades disputes likely

BY PETER MONTAGNON AND DAVID OWEN IN OTTAWA

FREE TRADE talks between Canada and the US enter their final phase today amid hopes here of a breakthrough in the key issue of dispute settlement, which has dogged the discussions since they began last year.

Mr Brian Mulroney, Canada's Prime Minister, has said he expects to know by Wednesday whether a deal can be achieved, although the talks themselves are expected to continue right up to the October 4 deadline imposed by the US Congress.

But it is already clear that any deal will fall short of providing the binding and impartial arbitration arrangement for trade disputes originally sought by Canada, to protect its business from what it perceives as

the capricious and unpredictable application of US trade law on dumping and countervailing duties.

Instead, the negotiation teams, who convene in Washington today, will be looking at the introduction of a "safe harbour" concept for subsidies, under which certain types of subsidy would be deemed legitimate and outside the reach of existing trade legislation.

This would allow Canada's federal and provincial governments to retain politically sensitive rights to finance regional and infrastructure development.

An independent commission would be set up to examine grey area cases. Each country

would be free to use existing trade law to take action against subsidies that fell outside the safe harbour definition.

US willingness to consider such an approach has raised hopes here that the deal may be attainable. But a solution has yet to be found to the equally tricky question of anti-dumping actions and US protection of industries threatened by a sudden surge in imports.

Moreover, the outspoken reservations of Mr David Peterson, Liberal Premier of Ontario, have underlined the fact that the limited deal now in prospect may be hard to sell within Canada.

This is especially true since Canada has given ground in other areas of the talks without gaining much return. Canadian financial market liberalisation has allowed US banks to own securities companies here, yet, because of the Glass-Steagall Act, reciprocal arrangements cannot apply in the US.

The most that is now likely to come out of discussions on financial services is an assurance from the US that Canadian firms will share in any erosion of Glass-Steagall, and that branches of Canadian securities companies may be allowed to continue to operate south of the border, even if they are bought by US banks.

EC stake in Portugal expands

By Our Lisbon Correspondent

FOREIGN INVESTMENT in Portugal increased by 150 per cent in the first eight months of 1987, as European Community partners, led by Spain, showed growing confidence in the most rapidly expanding economy of the 12 states.

Investment from EEC countries, accounting for 71 per cent of the total, more than tripled compared to the equivalent period in 1986, the year Portugal joined the Community. Total foreign investment this year reached Esc35bn (£149m) at the end of August, up from Esc14.3bn in the equivalent period last year.

Spain is leading the surge, its investment having increased more than fourfold to Esc8.8bn. Britain has fallen to second place at Esc7.5bn, but investment from France and West Germany, at Esc2.6bn apiece, is increasing at a faster rate.

Capital transmitted to foreign banks accounts for the greatest amount of investment, followed by hotels and restaurants, the sector where British tourists enterprises are the leading investors.

The upsurge in Spanish investment partly reflects a move by companies to head off a potential challenge from Portuguese exporters to the Spanish market.

Ian Davidson assesses a turning point for Unesco
Seeking a new ideas chief

THE LONG struggle for the soul of the United Nations Educational, Scientific and Cultural Organisation moves into a new cliff-hanging phase this week with the penultimate manoeuvres for the nomination of a new director-general.

On Wednesday, the 50-member executive board of Unesco will open a session which is expected to end on October 6 with a vote to nominate the new chief executive.

This will be subject to confirmation by the general conference of all the member states in a vote on November 7. The outgoing director-general—Mr Amadou Mahtar M'Bow, the controversial Senegalese who is completing his second term, with a total of 13 years in office—has repeatedly declared that he is not seeking a third term.

However, his disavowals have consistently and ostentatiously stopped short of a categorical refusal to serve if elected. None of the candidates so far nominated seems able to count on even a bare majority of the votes in the board, let alone a further majority in the conference, so experienced observers assume that, in the absence of some surprise, Mr M'Bow will be put forward as a last-minute candidate.

The outcome of this election may well turn out to be crucial in deciding the long-term credibility of Unesco, whose reputation has been tainted by accusations that it has been used by

some developing countries and by the Soviet bloc in a sniping campaign against the West. In 1984, after long complaints, the US—which provided a quarter of the organisation's budget—withdraw from membership. It was followed a year later by the UK.

It seems clear that, for the US and Britain, the election of a new director-general would be required before they would

Developing countries want fairer exposure in the world's press

review their attitudes to Unesco.

In policy terms, the controversy over Mr M'Bow's conduct of Unesco's affairs has focused particularly (but not exclusively) on Unesco's support for the idea of a New World Information Order. This has been widely interpreted in the West as an attempt to subordinate press freedom to the interests of states in the developing world, but the idea is justified as an attempt to give them a fairer exposure in an international press which they see as heavily weighted in favour of the west.

Some of Mr M'Bow's critics accuse him of mismanagement and mismanagement, and insinuate that he needs re-

election in order to prevent public examination of these accusations. He has vigorously rejected the imputations, and has claimed that the charges are merely a cloak for an ideological campaign long waged against Unesco by the right-wing Heritage Foundation in the US.

The eight candidates officially designated so far include: Dr Ivo Margan of Yugoslavia, chairman of the executive board of Unesco; Mr Nikolai Todorov of Bulgaria, chairman of the general conference; Mr Alfonso Barrera Valverde, former foreign minister of Ecuador; Mr Victor Sa Machado, former foreign minister of Portugal; Mr Soedjatmoko of Indonesia, former rector of the UN University in Tokyo; and Gen Sahabzada Yaqub Khan, foreign minister of Pakistan. A late addition to the list will be Prof Federico Mayor, former Spanish education minister and once deputy director-general of Unesco.

Some observers believe that the final choice will lie between Gen Yaqub Khan and Prof Mayor, unless the African states—who have declined their continuing support for Mr M'Bow—propose a compromise candidate, by offering to serve only for two years rather than for the normal six-year term.

SHIPPING REPORT
Freight level decline continues

By Lynton McLean

FREIGHT LEVELS in the world tanker markets continued to fall last week, despite expectations by some tanker owners that the recent slide had bottomed out.

Nearly all sectors of the market witnessed lower freight levels. In the Gulf, where there were more cargoes available, an over-abundance of suitable vessels resulted in a buyer's market.

Galbraith's, the London brokers, said on Friday: "We are of the belief that rates for September loaders will not fall any further and may increase if we see some more inquiry, as availability is beginning to thin out." Freight rates for medium-size tonnage have remained reasonably stable, but are dropping marginally.

BP chartered a vessel of 77,000 tons, loading in the Gulf and filling up in Indonesia for Australia at Worldscale 90.

West Africa saw reasonable activity last week, but a strong availability of vessels kept rates down and several US charterers were able to take 1m barrel size vessels for discharge in the US at Worldscale 50 or below.

Freight rates have shown some softer trends recently, the sale and purchase market remained "firm and optimistic" last week, certainly for the immediate future, Galbraith's said. Panamax and Cape-sized bulk carriers were still in demand, but prospective buyers were hampered by the lack of good quality available tonnage.

Companies in Norway were the most active market buyers, again.

Irish export record for year

By Our Dublin Correspondent

TRADE FIGURES for the Irish Republic, released at the weekend, show the country's exports for a 12-month period having risen past Ir£10bn (£3.73bn) for the first time, with a record trade surplus for the year ended August 1987 of Ir£1.16bn.

However, in a cautious welcome for the improvement, Mr Seamus Brennan, junior Trade Minister, noted that native Irish exports were not performing well. He said the bulk of the improvement had its roots in good performances by multinationals based in Ireland, and by the food sector.

Irish imports for the year ended August 1987 totalled Ir£8.932bn, with exports at Ir£10.092bn. Equivalent figures for the previous year were Ir£8.738bn and Ir£9.931bn respectively. The surplus for 1987 was Ir£1.16bn—an improvement of more than 30 per cent on that of the previous year.

In his first speech on the economy since then, Mr Charles Haughey, Irish Prime Minister, said at the weekend that the planned reduction in public borrowing was on target and his government intended a further reduction next year.

The trade figures come at the end of a week in which the cost of living index was shown to have risen by only 3.2 per cent over the 12-month period. Housing was the only item to show a major price increase during 1987 and, taken overall, Irish inflation is now well below comparable figures abroad.

WORLD ECONOMIC INDICATORS
FOREIGN EXCHANGE RESERVES (US\$m)

	July 87	June 87	May 87	July 86
US	13,472	13,982	14,422	16,147
UK	25,467	25,467	25,467	11,676
W. Germany	55,022	54,320	57,360	39,407
Japan	64,598	63,952	63,638	33,778
Belgium	7,238	6,919	5,981	4,857
Netherlands	12,246	12,069	11,506	10,228
Italy	19,632	19,577	19,577	19,096
France	29,149	28,436	28,429	32,084

Source: IMF

NOTICE OF REDEMPTION
To the Holders ofBorden, Inc.
U.S. \$100,000,000

Three Year Extendible Notes Due 1996

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Fiscal Agency Agreement dated as of October 15, 1984 between Borden, Inc. (the "Company") and The Chase Manhattan Bank (National Association), (the "Fiscal Agent"), the Company has elected to "redeem" pursuant to paragraph 9 (b) of the Notes, on October 15, 1987 (the "Redemption Date") a redemption price of 100% of the principal amount thereof (the "Redemption Price").

On the Redemption Date, the Redemption Price will become due and payable on the Notes and will be paid upon presentation and surrender of the Notes, together with all unexpired coupons maturing subsequent to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

Coupons which shall mature on, or shall have matured prior to, the Redemption Date, should be detached and presented for payment in the usual manner at any of the following paying agencies:

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Berliner-Händlerbank und Fintbank AG	
10 Rockefeller Plaza Frankfurt, A.M. 1, West Germany	
Société Générale	
29 Boulevard Haussmann Paris 75008 France	
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BORDEN, INC.
By: The Chase Manhattan Bank
(National Association)
as Fiscal Agent

Dated: September 21, 1987

McLean 1987/207 (9)

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THIS NEWSPAPER, ONE OF THE WORLD'S
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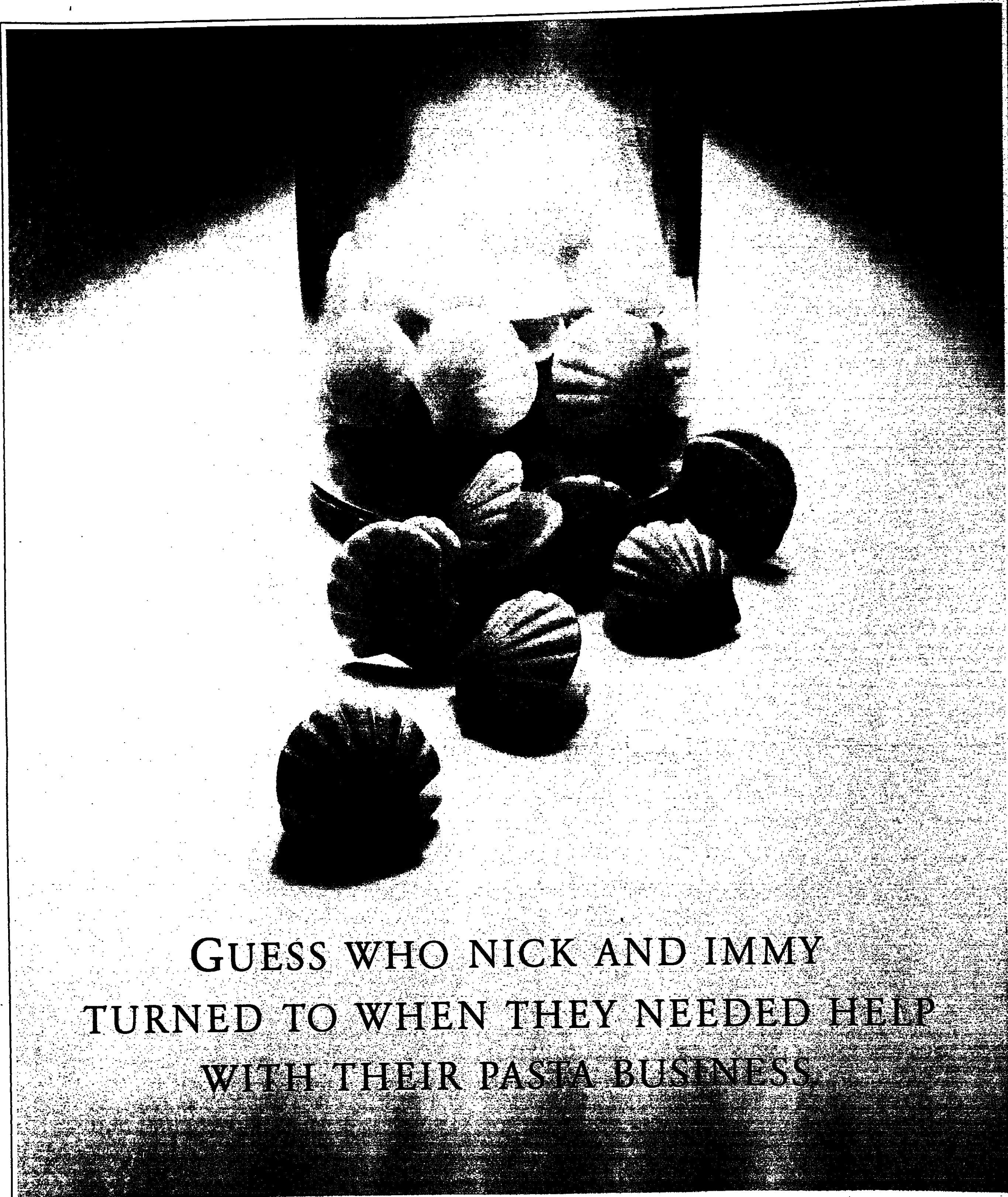


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July 20 1987



GUESS WHO NICK AND IMMY TURNED TO WHEN THEY NEEDED HELP WITH THEIR PASTA BUSINESS.

Tuck into *Rigatoni* at 'Basta Pasta', and you'll think you're in the Piazza San Marco, not the Piccadilly Plaza Manchester. The place, run by Nick Franchini and Immy Deshmukh, serves some of the best fresh pasta in the North-West.

(OK boys, that's your advertisement over with.)

Today, 'Basta Pasta' is doing quite nicely, grazie, but a few years ago it was just a dingy basement with a second-hand pasta machine.

That was before Nick and Immy wrote to Livewire, a scheme set up by Shell in 1982. Livewire's aim is to help young people create their own work, and over

the years it's given a leg-up to thousands of small businesses, co-operatives and community projects. As it's grown, other sponsors have come in as well.

Although Livewire gives cash prizes for the most enterprising ideas, it also hands out something that's more important than money.

Practical advice. Everyone who joins in is linked up with their own business adviser to help get the project off the ground or grow bigger.

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You never know, you might go as far as Nick and Immy. They're taking on the big boys now, planning a second restaurant, bigger and better than the first.

You have to admire their sauce. Especially *Salsa alla Vicentina*, a fresh sage and garlic-butter dressing that's particularly good on *Ravioli*.

YOU CAN BE SURE OF SHELL



SDP-Liberal talks expected within 10 days

By MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE FIRST session of talks between representatives of the Liberal Party and the Social Democratic Party aimed at creating a new party are expected to take place in the next 10 days, after the nomination today of the SDP negotiating team.

The SDP national committee will meet in London to choose its negotiators and both sides hope to get together as soon as possible to maintain the pro-merger momentum established at last week's Liberal party assembly.

Dr David Owen, former SDP leader, yesterday re-emphasised his outright opposition to the plan to form a new party by calling on wavering SDP members to join the anti-merger camp.

In a message to SDP regional organisers opposed to the merger move, who met yesterday in Birmingham, Dr Owen said it was clear that sufficient party members were clearly prepared to fight for its survival.

Dr Owen said he was encouraged by the success of the grassroots campaign and said that any member of the SDP who wished to remain a social democrat knew they would be able to do so. "The only remaining question is how many more of the uncommitted members will vote for the SDP when the merger negotiations are complete," he said.

The SDP national committee is expected to decide on a negotiating team that mirrors the Liberal team elected on the last day of the Harrogate assembly. Anti-merger members of the national committee, including Dr Owen, have said they will abstain from the selection process.

The team will be drawn from the national committee and the ruling Council of Social Democracy. It will include not only



David Owen encouraged by grassroots campaign success

those who voted for a new party but some party members, such as Mr Robert MacLennan, the new SDP leader, who originally supported closer ties with the Liberals rather than complete unification.

It is not yet certain whether Mr MacLennan will, like Mr David Steel, Liberal leader, stand back from playing any direct role in the talks and instead nominate a personal representative. His position will be made clear later today when he and Mrs Shirley Williams, SDP president, announce their team.

Mr Steel's team includes eight party members elected by last week's assembly, three party officers, including the leader's nominee, and representatives from Scotland and Wales. The elected members include some liberal activists, upon whom Mr Steel cannot rely for unqualified support when the ballot on creating a new party is held, probably next February.

Canadian route open to more airlines

By LYNDON McLEIN in London and David Owen in Toronto

BRITAIN AND Canada have agreed on a more liberal air services accord which opens the transatlantic market between the two countries to any designated UK or Canadian airline for the first time.

Before the agreement, reached on Friday, only British Airways and Air Canada had rights to fly scheduled services between the countries under the 1946 air services agreement. The new accord is one of the most liberal covering long-haul flights between the UK and another country.

Mr Paul Channon, Transport Secretary, said: "The new agreement sweeps away a whole raft of outdated regulatory controls and opens up wide ranging opportunities for UK airlines in our second-biggest long-haul market."

Mr Joe Clark, Canadian External Affairs Minister, said: "The agreement provides airlines with opportunities for growth and establishes a durable framework for the future. The agreement gives all designated scheduled airlines on services between the UK and Canada the right to:

- Enjoy free access to all airports in each country available for long haul flights.
- Determine their own capacity route by route for bilateral services.
- Determine their own passenger tariffs within a liberal arrangement of tariff zones, to be reviewed after 18 months with a view to this being replaced by an even more liberal regime.
- Freely determine their own cargo rates.

Also, under the agreement, UK airlines have gained rights to carry traffic between Canada and the US on 14 flights a week between Canada, Mexico, the Caribbean and central America on four flights a week and between Vancouver and New Zealand via the Pacific on two flights a week.

Air Canada retains the right to carry traffic between the UK and Europe on 10 flights a week and between the UK and Bombay and Singapore on four flights a week.

Harrods orders distribution centre for £20m

By Andrew Taylor

HARRODS, the department store in Knightsbridge, London, is to spend £20m on a computerised distribution centre at Osterley, Middlesex. The store is undergoing a £200m refurbishment.

The 20,500 sq metre Osterley centre will handle the processing and despatch of goods to customers all over the world. It will take over some of the functions of the store's furniture depository - a well-known landmark at Barnes on the banks of the Thames - which is to be redeveloped.

Trollope & Collis, part of the civil engineering division of Trafalgar House, the construction, shipping, hotels and property group, has won a £10.5m contract to build the Osterley centre.

Harrods, which is owned by the Al-Fayed brothers, intends to spend nearly another £10m on fitting out.

Jobless urged to start businesses

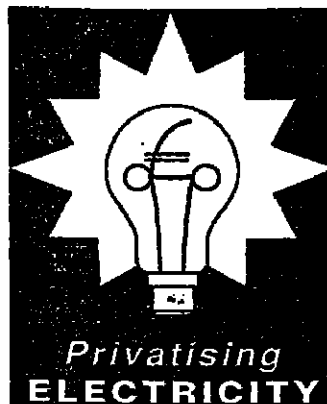
THE FIRST stage of a national programme to encourage the long-term unemployed, including many ex-offenders, to set up and run their own businesses will be launched this week in Norfolk.

The Head Start scheme will be open to some of the 16,000 unemployed on the MSC-funded Community Programme run by the National Association for the Care and Resettlement of Offenders.

Set up by the Industrial Society, which recently ran a pilot scheme in Birmingham, Head Start will initially be open to 700 participants in Norfolk, Suffolk, Essex and Cambridgeshire and will be extended to all 15 Nacro Community Programmes.

Lucy Kellaway on the complications of arranging the electricity industry for privatisation

Encouraging the vital spark of competition



NO MATTER how the Government chooses to carve up the electricity industry for its privatisation, it will be left with at least two businesses that are natural monopolies - power transmission and distribution - and a third - power generation - in which competition is possible in theory but may be elusive in practice.

The success of this latest privatisation exercise depends very much on solving the biggest and most complicated regulatory problem the Government has faced so far.

It must devise a system, both broad and precise, which will encourage competition where it is possible. Where it is not, regulations must give protection to the consumer - while at the same time keeping investors happy.

Regulating private monopolies is complex both in theory and in practice. Even in the US, where experience is longest, the regulatory machine which controls the private electricity industry has been much criticised for neither granting effective protection to consumers - who are resentful of large increases in prices - nor facilitating competition.

In the US, electricity utilities are subject to several tiers of regulation. A politically appointed state commission regulates the price charged for electricity, and the maximum rate of return, and effectively controls the amount of capital available to the industry. The commissioners also deal with consumer complaints. A federal committee oversees transfers of electricity across state lines.

The result is a system which opens the utilities' business to public view and is highly litigious. Utilities usually cannot pass through the cost of a new power station until it is in operation and certainly not before a tariff increase has been sanctioned by the commission.

The consumer was protected, with price increases kept below the level of inflation, while the company was given an incentive to make more profits by dint of becoming more efficient.

With a track record of just three years in the case of British

INDEPENDENT electricity producers, which claim they are denied satisfactory access to the National Grid by the monopolistic pressure of the official electricity industry, have formed a group to ensure "fair competition" with the Central Electricity Generating Board following privatisation, writes Maurice Samuelson.

The Association of Independent Electricity Producers will be based at the London office of Orchard Partners, a civil engineering consultancy which has long favoured greater use of combined heat and power stations, which maximise

their efficiency by selling "waste" heat as well as electricity.

The association claims to have a "broad spectrum" of members, including operators of industrial co-generation plants, wind and hydro-electric turbines and small combined heat and power plants.

It says small modern generators of electricity close to the point of use are much cheaper and three times as efficient as traditional large stations favoured by the CEBG.

However, such schemes are allegedly inhibited by the way the CEBG formulates its tariffs

Ofgas, following his confrontation with Sir Denis Rooke, may demand less action from the Government.

While critics have argued that the dispute demonstrated the inadequacy of a system which depends on the pugnacity of the regulator, and which swings from one crisis to another in the pursuit of information, Mr McKinnon maintains his conflict was a one-off and argues that he has ample powers to perform his task properly.

In devising regulation for transmission and generation, the Government will be breaking new ground. The regulation chosen will naturally depend on the structure the privatised industry is to take - the more competition introduced, the less need for regulation. Even so, falling the creation of a spot market for electricity, some mechanism will be needed to ensure that competing players have fair access to the grid.

Here, the precedent set by gas is not encouraging. While in the US the price that utilities charge for carriage is laid down precisely by formula, in the UK no such formula exists, and Ofgas acts as an umpire, charged with "enabling" competition. However, nearly a year has passed since British Gas was privatised, and still not one oil company has signed up to transmit its own gas through the network.

Mr McKinnon disowns responsibility for this uncompetitive outcome. "If there is no competition, do not blame us, do not blame the Government, do not even blame British Gas. Blame the suppliers who are not prepared to take a chance on it," he says.

One cannot help wondering that if the oil companies, which have plenty of gas at their disposal, are disinclined to break into the game how the new electricity entrepreneurs, who will have to make huge capital investments, are going to fare.

The advantage of price regulation is that it gives the industry time and incentive to increase profits by becoming more efficient before the formula is reviewed.

The advice likely to be given by Mr James McKinnon, head of

Commercial rating plan draws 100 submissions

By PAUL CHEESEBRIGHT, PROPERTY CORRESPONDENT

MORE THAN 100 submissions have been received on Environment Department proposals to bring about big changes in the commercial rating system. They were still arriving on Friday, the last day of a consultation period.

The proposals deal with the way in which the first assessment of the rateable value of non-domestic property in England since 1973 would be carried out. This is a prelude to the introduction of a uniform business tax in 1990.

Department officials, who have not yet been able to give detailed consideration to the submissions, noted that they appeared for the most part to deal with practicalities.

There has been criticism in the property sector that the yellow paper, which contained the proposals for the reform of the rating system, was circulated much too narrowly. It was sent to 60 organisations, including some local authorities, companies and professional advisers.

Published submissions are critical of the Government's proposals to limit the rights of appeal against rating revaluations and the end of concessions whereby only half of a rates increase need be paid if an appeal has been registered.

The revaluation of properties, for the purpose of the introduction of the uniform business tax, will be based on the worth of the property next April.

Iron and steel consumers urge opposition to quotas

By NICK GARNETT

THE IRON and Steel Consumers' Council has urged Mr Kenneth Clarke, Industry Minister, to oppose any continuation of a quota system.

In a written submission the council says that if quotas have to continue, the European Commission's proposals must be modified "so as not to penalise community steel users generally, and particularly users in buoyant markets such as the UK, or efficient and financially viable

producers such as the British Steel Corporation."

The council is opposed to loading part of the social cost of closures of steel producers on to producers. This would damage the community's steel-using industries' competitiveness in world markets, it says.

The council argues that if quotas are to be retained, the tonnage output performance of steel companies this year should be taken into account.

Child benefit 'threatened'

By MICHAEL CASSELL

LABOUR is to challenge the Treasury to deny that it is pressing for cuts in child benefit payments during the latest round of public spending discussions.

Mr Robin Cook, Labour's spokesman on social services, claimed that child benefits were under attack. His remarks followed weekend speculation that present benefit levels could either be frozen or taxed.

Mr Cook said he intended to challenge Mr John Moore, the

Secretary for Health and Social Security, to state that he would defend benefits.

He added: "The introduction of child benefit was one of the great reforms of a Labour government. It is ironic that it should now be under attack from a government which has pushed two million children below the poverty line."

The Treasury declined to comment on what it described as a speculative report.

Private prisons idea attacked

By ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

PRIVATISATION of prisons would create a powerful lobby with a vested interest in high prison populations, Mr Stephen Shaw, director of the Prison Reform Trust, argues in a Fabian Society pamphlet published today.

Private companies, he says, would have an economic interest in lengthening prison terms, and in time would exert a political influence that would subvert the making of penal policy. "It would be totally unacceptable for private concerns to be involved in decision-making on such matters as prison discipline, home leave and parole, which directly determine the length of a prison sentence."

Applying the profit motive to prisons would mean that financial questions took precedence over humane prison regimes, decent standards and staff safe-

ty. "The result will be prisons run with the maximum of technology and the minimum of human contact," he says.

Lord Calhoun, Home Office Minister, has been touring the US this month gathering information about private prisons and last week Sir Robert MacLennan and John Moore, Home Secretary, set up a joint committee to examine the possibility of building, and managing private prisons in Britain.

Mr Shaw argues that private prisons would not be publicly accountable. He says evidence of that is provided by the Harmondsworth immigration detention centre near Heathrow Airport, which is run by Securicor.

Parliamentary questions about it were frequently dodged by arguing that the

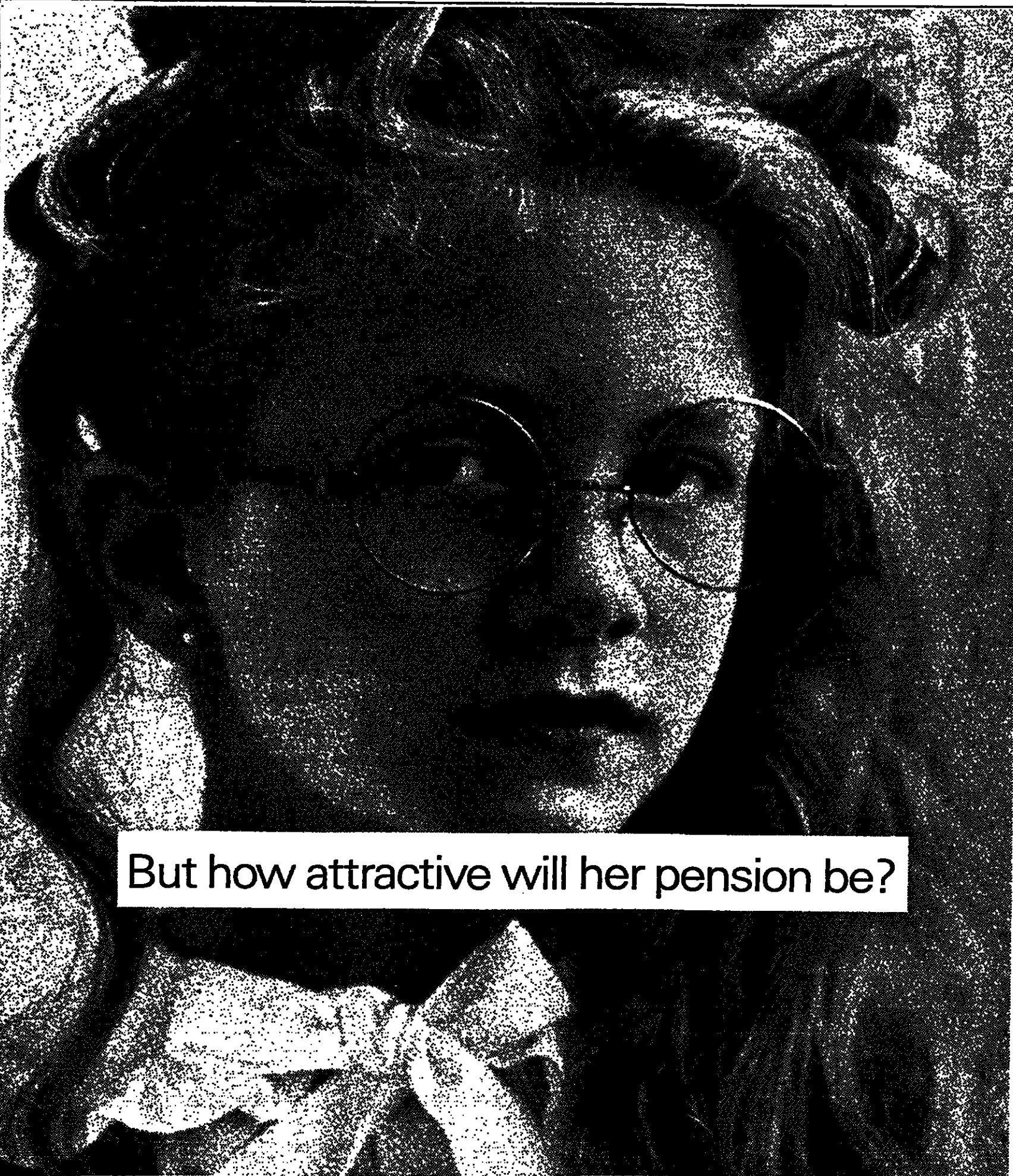
terms of the contract between the Home Office and Securicor are matters of commercial confidence.

He says there is little evidence that private prisons in the US are cheaper to run or provide better conditions.

Since the Government came to power in 1979, says Mr Shaw, it had done nothing to overcome the crisis in Britain's prisons. Instead of considering privatisation and building new prisons the Government should reduce the number and length of prison sentences.

He calls for the establishment of a Sentencing Council to reform sentencing.

Conservative Politics: A plan for penal policy. Fabian Tract 522. Fabian Society, 11 Dartmouth Street, London SW1H 9BN. £1.50.



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UK NEWS

Output in manufacturing still rising, says CBI

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MANUFACTURING output in Britain is still rising strongly, although a weakening in export orders means that the pace of growth has decelerated, the Confederation of British Industry reports today.

The organisation's latest monthly trends survey, which covered 1,479 companies in the manufacturing sector, shows that domestic order books remain buoyant. Nearly 40 per cent of companies expect their output to rise during the rest of 1987, against just 9 per cent predicting a fall. The remainder are forecasting that their production will stay at around existing levels.

The survey follows publication last week of official figures showing manufacturing output rising at an annual rate of between 5 and 5.5 per cent in the

three months to July. That pace is expected to slow in coming months, but the CBI results indicate that the direction will remain upwards.

Evidence that industry can now expect what the employers' group calls a "steadier rate of growth" is reflected in a slow-down in export orders.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said the trend reflected the strengthening of the pound in recent months and severe competition in overseas markets.

He coupled that with a call for the Government to consider a cut in interest rates to preserve industry's competitive edge. "The intensity of international competition means that we shall have to continue to fight hard for new orders and there

continues to be a strong case for reducing UK interest rates.

"There is certainly no need to keep borrowing costs in Britain higher than those of our major competitors because of fear of our economy overheating," he said.

The competitive pressures appear to be holding down increases in factory gate prices, despite rising costs for fuel and raw materials. This month some 23 per cent of companies said they expected to raise their prices, compared with 27 per cent in August.

The CBI believes that this reinforces the case for a cut in interest rates, but officials indicated last week that such a move was out of the question for the time being at least.

Analysis, Page 14

Scargill presses for tougher pit action

By David Brindle

THE OVERTIME ban in Britain's coalfields begins today with Mr Arthur Scargill, leader of the National Union of Mineworkers, making no secret of his desire to see tougher action imposed at an early stage.

After the Durham NUM area at the weekend joined Yorkshire in pressing for stronger sanctions, Mr Scargill said: "This confirms the view that the rank-and-file is calling for a harder line."

He is thought to have been against the majority decision of the union's national executive committee last Thursday to apply only a limited ban, which practically guarantees five-day coal production, in protest at British Coal's disciplinary code.

Mr David Guy, Durham NUM president, said: "Even the coal board envisaged tougher action."

However, Durham is not backing Yorkshire's hard line. Instead, Mr Guy said his area was looking for a total ban on all forms of midweek overtime and all holiday period work.

This reluctance to go along fully with Yorkshire indicates the difficulties Mr Scargill will have in winning broad support for a common stronger line against the disciplinary code.

Thorn EMI to expand rental operations in N. America

BY DAVID THOMAS

THORN EMI, the UK electronics and retailing group, is planning to expand its rental operations in North America, on the back of its £371m acquisition in July of Rent-a-Center, a leading US consumer electronics rental chain.

Thorn also intends to win extra discounts from some of the world's biggest consumer electronics manufacturers by organising its purchasing on a global basis for the first time.

These points were disclosed by Dr Jim Maxmin, head of Thorn's rental business, in his first detailed public comments since the Rent-a-Center acquisition.

Dr Maxmin said Thorn planned to open 170 Rent-a-Center shops in the US this year. At present, Rent-a-Center has 430 outlets of which 160 are franchised operations.

The aim was for Rent-a-Center to have 1,000 US shops by 1990, with the balance between directly-operated and fran-

chised operations remaining roughly the same as at present.

Much of this growth would be organic, Dr Maxmin said, because 60 per cent of Rent-a-Center's present customers were first-time users of the chain, and half of these were renewing their rental contracts when they came up for expiry.

The Rent-a-Center management might also acquire small locally-based rental companies in the US, but the entire expansion would be funded out of the revenues generated by Rent-a-Center.

In addition, the chain intended to launch into Canada before the end of the year, initially on a franchise basis, in the Toronto and Ottawa regions. Its main competitor there would be Granada, another UK rental company, Dr Maxmin said.

Thorn was carrying out market research into the idea of launching a more upmarket rental brand in the US, possibly operated separately from Rent-

a-Center which, like other US rental chains, gets most of its business from blue-collar workers.

The idea flowed from Thorn's policy for its rental operations in the UK and continental Europe, which was to try to change the traditionally down-market image of renting.

Commenting on the acquisition last week from Granada of five rental companies in continental Europe, Dr Maxmin said his prime objective was to consolidate these with Thorn's existing rental shops in continental Europe. He expected annual growth rates of up to 15 per cent from continental operations.

Dr Maxmin also revealed that he was about to ask his biggest suppliers - he mentioned Thorn's of France, Philips of the Netherlands and JVC and Toshiba of Japan - for extra discounts arranged on a global basis on top of the discounts Thorn's subsidiaries already negotiate in each market.

Fresh bid to end opera pay dispute

By Jimmy Burns

THE MANAGEMENT of the Royal Opera House in London and union leaders are to meet today in a fresh attempt to find a settlement to the three-week chorus pay dispute which has disrupted the opening of the new season at Covent Garden.

The ROH said yesterday that it had hopes of a settlement which would allow performances to resume by Wednesday or Thursday.

Talks which continued late last Friday produced a further revised offer from the management which the company said had been accepted in principle by leaders of Equity.

Under the latest terms the ROH is believed to have offered upon its basic offer of 4 per cent by raising allowances to bring the total pay package more in line with that offered by the English National Opera.

Warning on wage cost trends

BY OUR LABOUR CORRESPONDENT

THE RISE in average earnings may remain at or close to 8 per cent throughout next year, says an analysis of pay prospects published today by Incomes Data Services, the research group.

IDS also points to a worsening trend in unit wages costs - the measure of pay per unit of output on which government minis-

ters have recently laid great emphasis.

Figures drawn together by the group suggest that the sharp improvement in unit wage costs since early 1986 has been almost entirely output-led. With the rise in output expected to slow, IDS says, "the news for the

Government can only get worse."

In line with other recent surveys, the analysis says the level of basic pay settlements dipped last autumn but has since risen again to match last summer's range of between 4.5 per cent and 7.5 per cent.

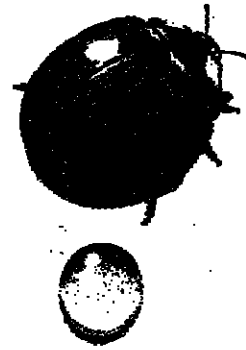
'No advantage' in shares

BY OUR LABOUR STAFF

EMPLOYEE share ownership has "no intrinsic advantage" for workers when compared to other forms of investment, according to a report prepared for unions by the Centre for Alternative Industrial and Technological Studies.

The report assesses a hypothetical investment of £2,480 in each of the 20 biggest UK companies over the period 1983 to 1986 and concludes that workers could just as easily lose - by up to £590 - as gain, by up to £770 before tax.

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Europe has become a global community. To help it grow we have to get together. Because, together we can bring new qualities to our lives here in Europe. We can enjoy new ideas, new challenges and new life styles. So let's get to work on tomorrow, today.

Already, we're co-operating in twelve European nations. We've established financial teams in London and Haarlem to raise financing in Europe for investment in Europe. And in communities where we do invest, we operate on the principle that our activities should pay dividends for the host community.

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We are a leading integrated electronics manufacturer. And all of the above examples embody our wish to bring new qualities to our lives. Not merely by selling our products; but by making real contributions to our communities and our daily lives.

From a manufacturing facility in Brittany to an art exhibition in London, our wish is to bring new qualities to the lives of people all over Europe.

And with your help, that isn't just wishful thinking.

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Macintosh refines an oil presentation.

If all the documentation on the Alwyn North project in the North Sea was stacked in a single column of A4 paper it would stand taller than a drilling platform.

Total Oil Marine Engineering and Construction (TOMEC) is developing Alwyn North on behalf of Total

Oil Marine and its partner, Elf UK. And to meet the operational and safety requirements of such a complex and demanding project all its information must be reproduced to the highest possible standard.

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They installed an Apple DeskTop Publishing System which has been in continual use for the last twelve months producing charts, diagrams and reports.

It has been a valuable resource during the design and construction stage of their North Sea project, presenting complex information in a very simple way.

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However you don't have to be an oil company to get such a high grade presentation. Over 10,000 Apple DeskTop Publishing Systems are in use in the UK today producing everything from standard forms to technical manuals, simple memos to major documents and newsletters to newspapers.

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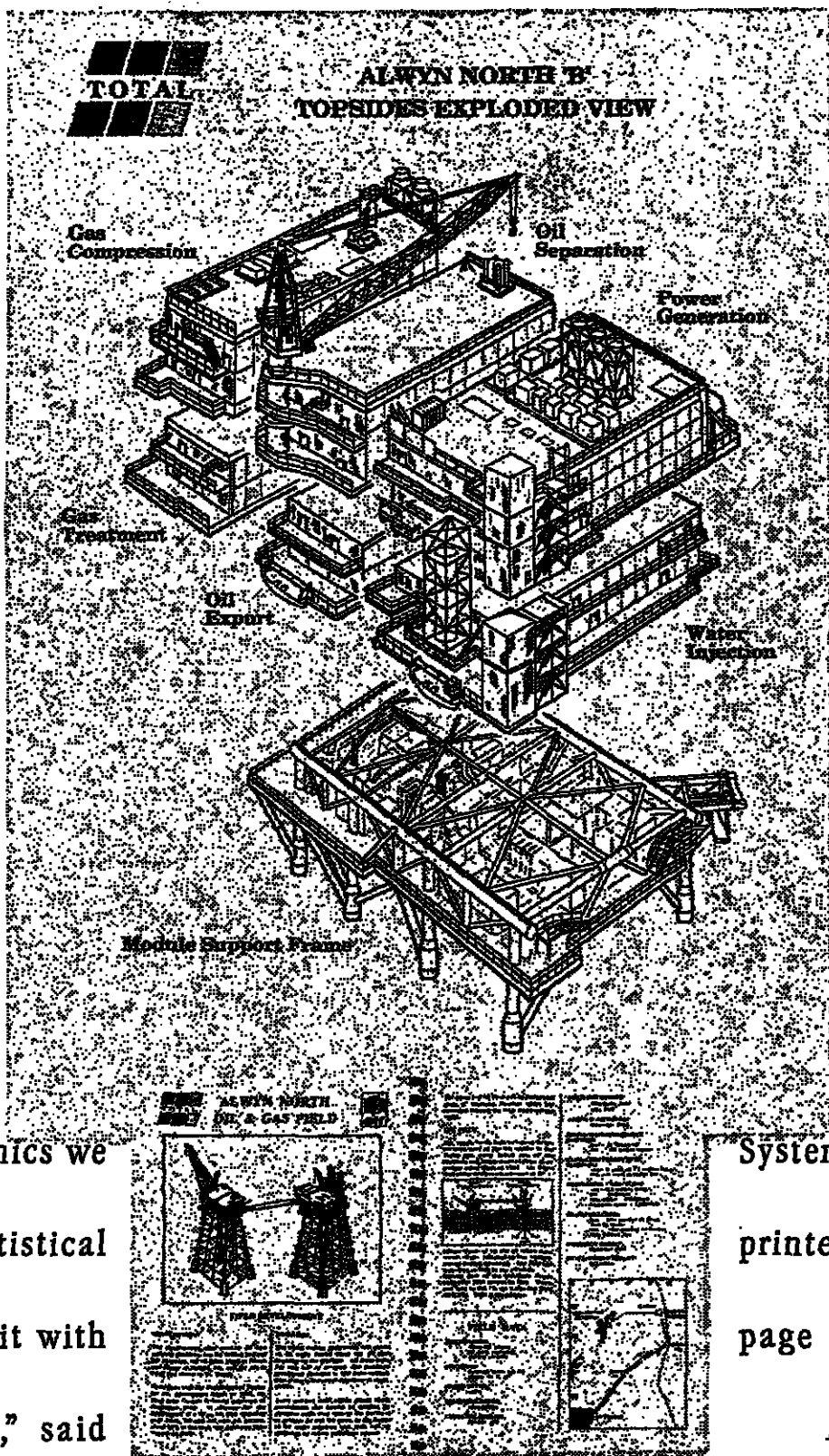
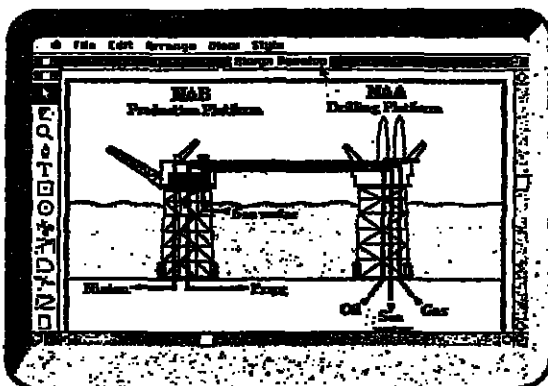
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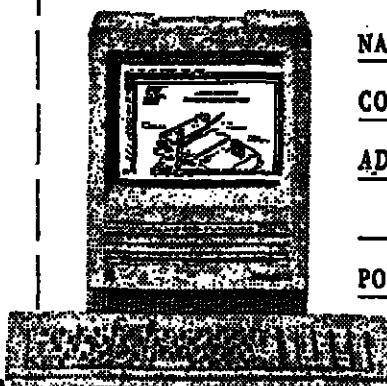
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And up until October 16 Apple are offering a complete DeskTop Publishing System including a Macintosh SE, a LaserWriter Plus printer, and all the software for text, graphics and page design for only £8,495.

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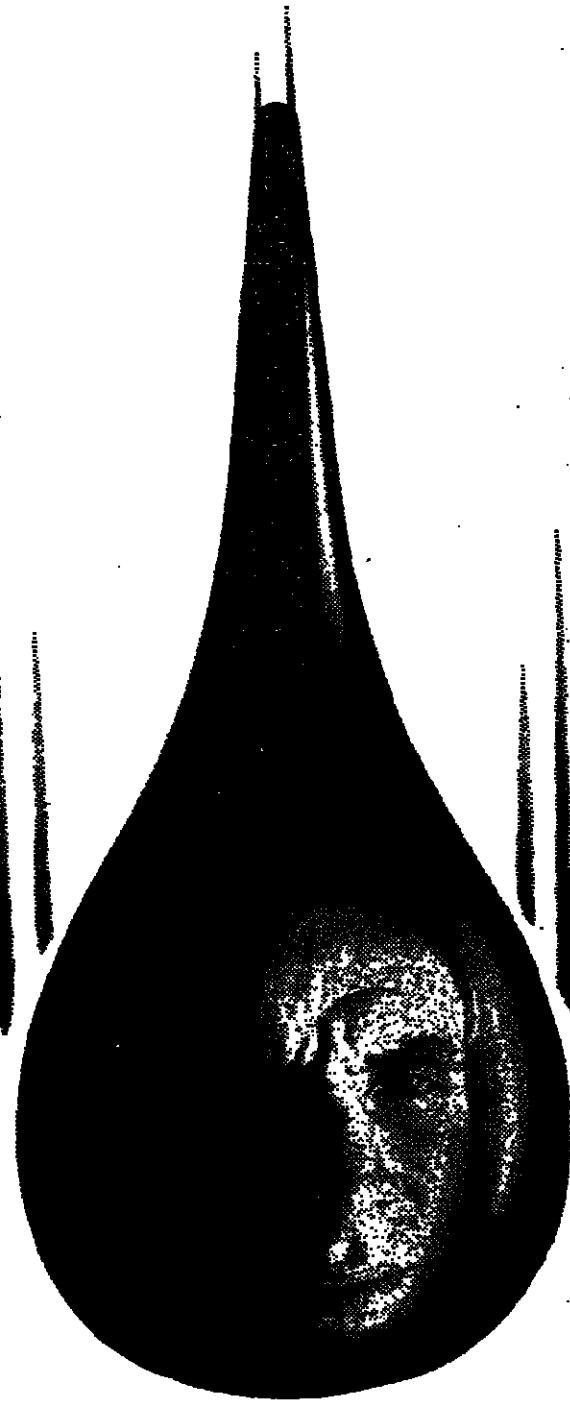
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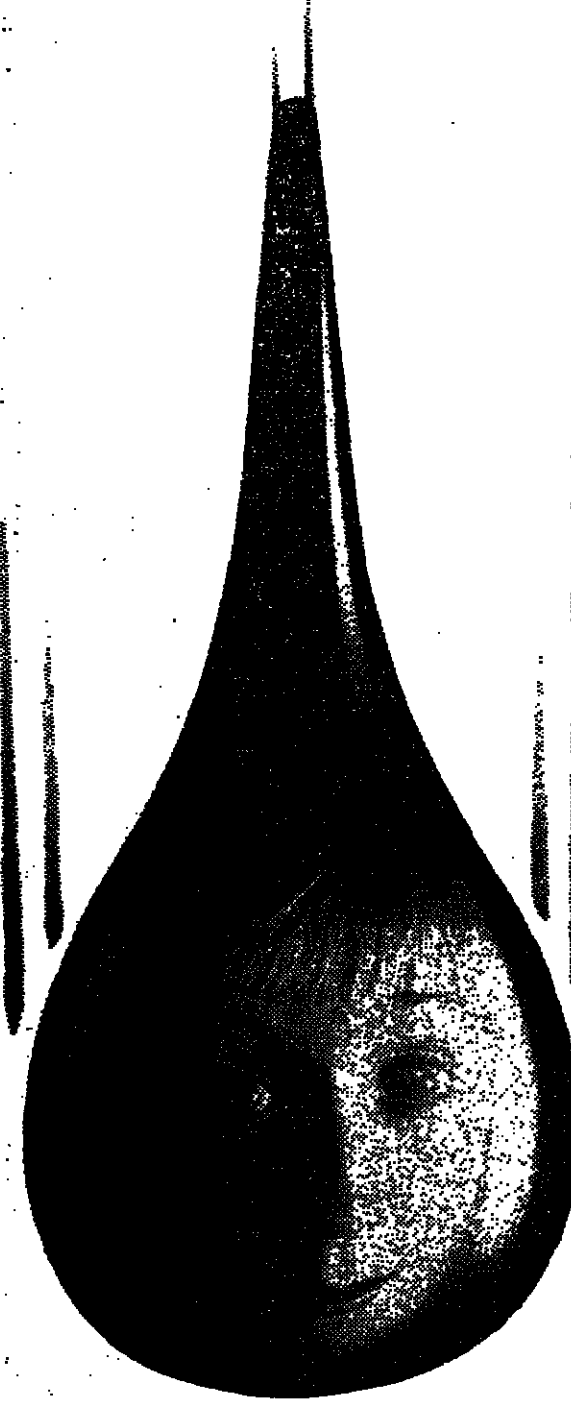
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As long as he gets his products out the door, he doesn't care how much energy disappears through the roof.



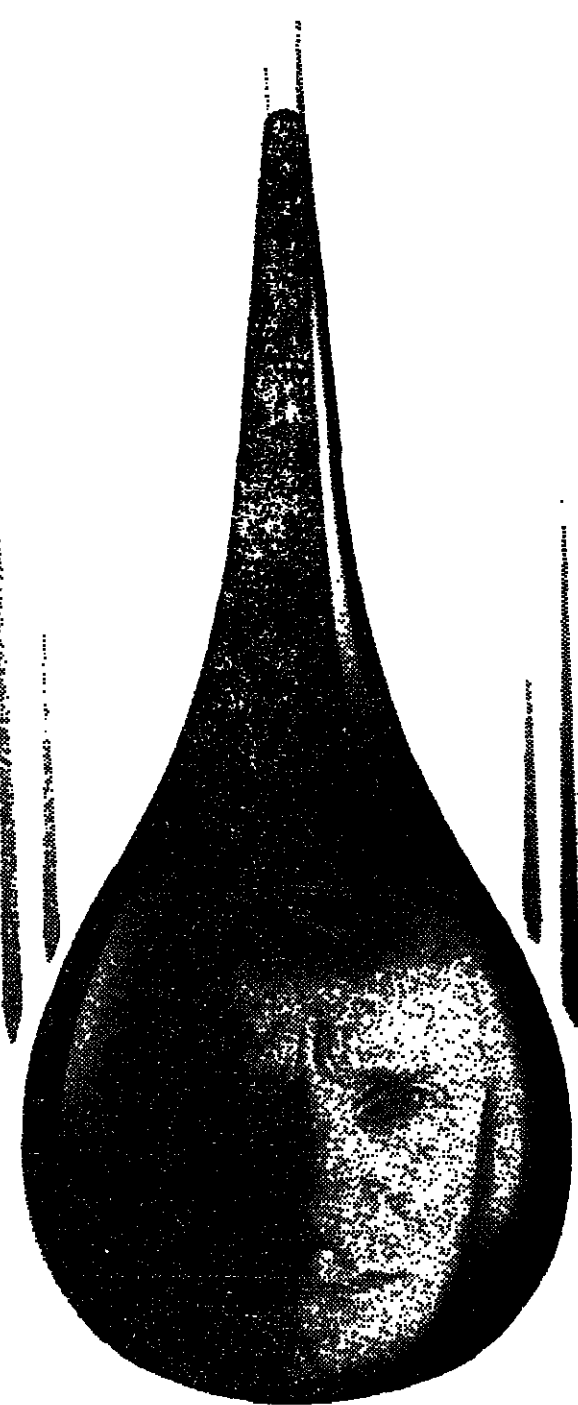
MARKETING DIRECTOR

He sees his responsibilities as either above the line or below the line. On energy costs, he simply draws the line.



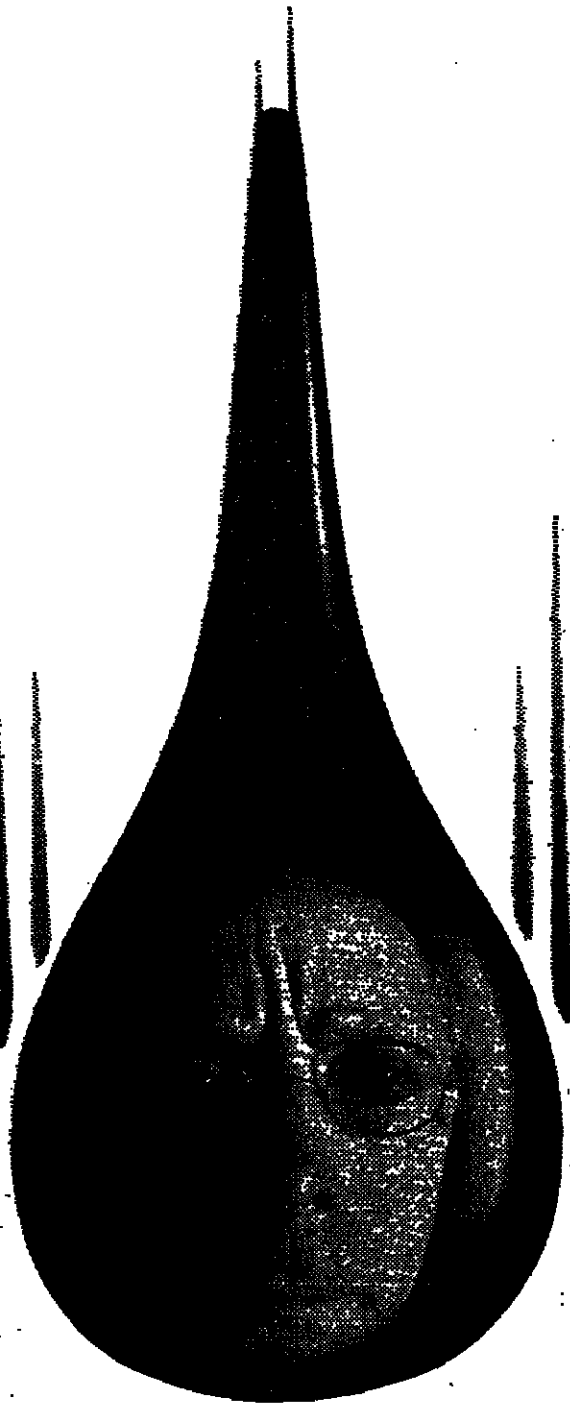
HEAD OF PERSONNEL

She has enough on her plate keeping up with interviews without worrying who leaves the lights on.



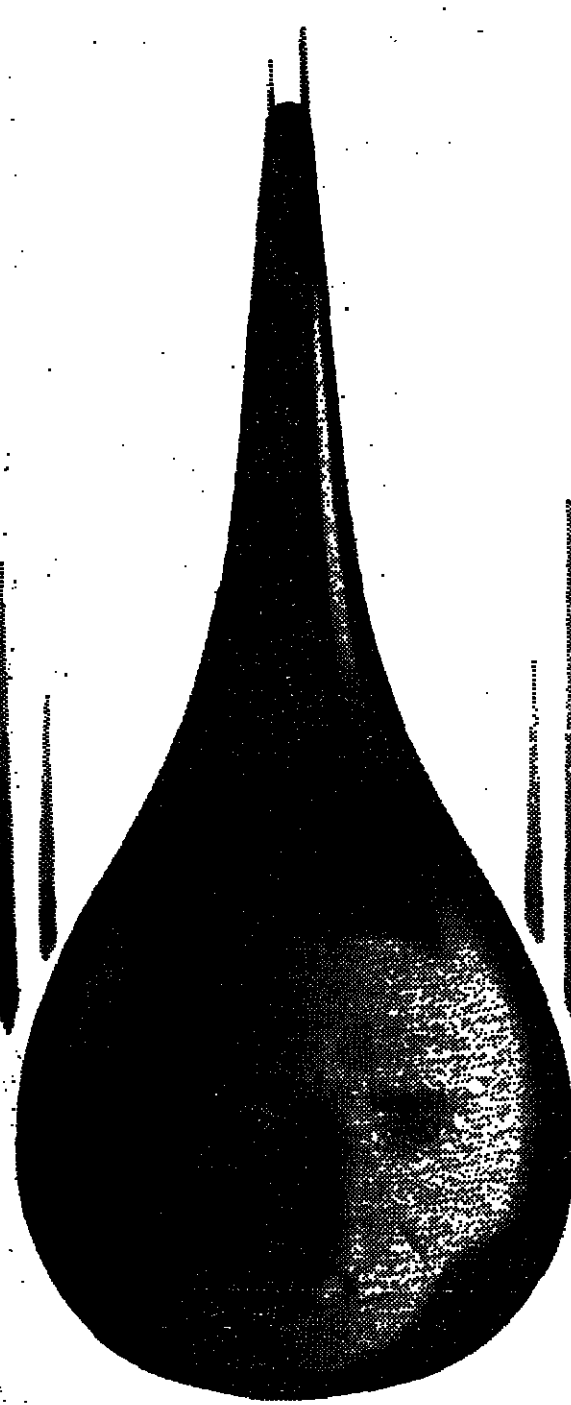
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UK NEWS

Philip Stephens reports on the omens contained in the latest string of official indicators
Wages growth dampens economic euphoria

THE GOVERNMENT could hardly have hoped for better news on the economy than that delivered by last week's string of official indicators.

Evidence of buoyant output, rising productivity and investment, a falling jobless total and subdued inflation would have been welcome enough, but alongside that came public borrowing figures suggesting that Mr Nigel Lawson, the Chancellor, will have ample scope to live up to his tax-cutting ambitions in next spring's Budget.

Short-term indicators, as the Treasury would be the first to admit, are notoriously unreliable. Last summer, for example, it appeared that the economy had slowed significantly. In retrospect, it is now clear that the pause in growth had ended well before anyone recognised it.

Looking at the latest set of statistics, however, it is hard to draw anything but the conclusion that Britain's economy is growing faster than virtually all of its major rivals.

Output seems set to rise by about 4 per cent this year rather than by the 3 per cent forecast in the last Budget. Manufacturing production is expanding at an underlying rate of around 5 per cent.

The jobs position is still fogged by special measures and tougher screening of benefit claimants but the sharp fall in unemployment seems, in part at least, to reflect a genuine im-

provement in the labour market.

The shortfall on the current account of the balance of payments this year also looks likely to turn out below the last Treasury forecast of £2.5bn. The trade deficit in manufactured goods is widening progressively, a trend expected to be confirmed with Thursday's publication of statistics for August. However, for the moment at least, buoyant invisible earnings are plugging much of the gap.

After a dismal performance last year investment is rising

The official hope is that last year's devaluation of the pound and the Government's subsequent commitment to hold the currency relatively steady have finally allowed Britain to break into a virtuous economic circle.

If the economy could stay within the circle, rising output should continue to generate higher productivity, in turn preserving industry's competitiveness and encouraging it both to invest in more plant and machinery and to take on more workers.

There have certainly been el-

ements of that over the past year. Manufacturing companies have responded to a more competitive exchange rate and the promise of stability by boosting output rather than by simply raising profit margins.

After a dismal performance last year, investment spending is rising relatively fast. Productivity has been increasing at an annual rate of between 6 per cent and 7 per cent.

It is easy to overdo the euphoria. The increase in manufacturing output has only now restored the level to that inherited by the present Government in 1979. Capital spending may be accelerating but industry is still investing considerably less than it did eight years ago.

Of greater concern to Mr Lawson, however, is the performance of what he has termed the Achilles heel of the economy - wages.

It is there that the omens are least encouraging. Last week's figures showed earnings growth in manufacturing accelerating to an annual 8.4 per cent.

The impact on unit costs is being masked, for the moment, by the pace of productivity gains.

The problem is that the present pace of productivity growth is in part a function of the recent surge in output. As the economy slows so also will productivity growth.

Without a sizeable downward shift in pay settlements, industry could then find itself in the all-too-familiar position of seeing its competitiveness eroded by a worsening cost performance. The choice for the Government would be to allow a further sterling depreciation - at the expense of its anti-inflation strategy - or risk a progressive weakening in output by refusing to accommodate 'excessive' pay awards.

If that looks likely to be the

Unemployment has fallen sharply but still stands near 3m

dilemma of 1988, the current good news on the economy also presents the Chancellor with some more immediate policy problems.

Many of his colleagues in the Cabinet have returned from June's election campaign apparently convinced of the virtues of public largesse rather than austerity. A fast-growing economy is seen by them as providing the cash, as last year, for both extra spending and tax cuts.

The Treasury conceded as much when it was forced to abandon its previous goal of holding public spending con-

stant in real terms in favour of a much more gradual reduction in its share of national income. No-one in Whitehall believes that the Government will be able to hold its cash target for 1988-89 in the current round of spending negotiations.

Last week's figures for public borrowing suggest that both sizeable spending increases and lower taxes may be possible. The problem is that they would give a further stimulus to the economy when its growth rate is already above the long-run trend.

The evidence of the past few weeks is that City fears that the economy is in imminent danger of 'overheating' or that the pace of credit expansion reflects an inflationary explosion, have been much exaggerated.

Unemployment has fallen sharply but it still stands at nearly 3m, while rapid growth in credit does not yet at least appear to be feeding through into prices.

Given the fickle nature of financial markets, however, the Chancellor may not be able to take chances with fiscal policy.

The advice he will be receiving from the Treasury is that virtually all of the extra revenues generated by the present buoyancy of the economy should be 'banked' by cutting the target for public borrowing even further.

To what extent that is politically feasible is far less certain.

Lawyers 'must relax rules or lose out'

BY HAZEL DUFFY

THE LEGAL profession in Britain is in danger of losing out to competition from overseas unless it relaxes its rules and restrictions, Sir Gordon Borrie, Director General of Fair Trading, warned at the weekend.

He recommended in an Office of Fair Trading report last summer that solicitors should change their rules to allow them to form partnerships with other professionals and to create legal companies.

The change would require not only an amendment to the Solicitors Acts but also agreement of the Law Society, which has so far been split on the issue of multi-disciplinary partnerships.

"The danger is that by standing pat on the present form of legal practice, the legal profession is in danger of losing work to others, of providing a diminishing service to the public at a time when there is an increasing public need for legal services and, where international competition has a part to play, losing out to overseas competitors," Sir Gordon told a conference organised by the David Andrews partnership.

He thought restrictions on competition in the professions had gone beyond what was justifiable in the public interest.

Rover 'receives approaches' for Scammell plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE STATE-OWNED Rover group has received "a number of approaches" about the Scammell heavy truck plant at Watford, Hertfordshire, which is due to close with the loss of all 600 jobs.

The factory was excluded from the deal when Rover merged its Leyland Trucks operations with those of DAF Trucks of the Netherlands in April.

However, some of the factory's operations - the production of trucks up to 50 tonnes gross weight - and the Scammell name are being transferred to the enlarged DAF company in which Rover has a 40 per cent shareholding.

Among those potentially interested in the Watford plant is Mr Vic Wilkes, Scammell managing director, who hopes to put together a management-led consortium to salvage some of the operations.

Mr David Brown, who has a group of family-owned companies in the north-east including the Artix dump truck business, has also made tentative approaches to Rover about Scammell.

However, Mr Brown is involved in negotiations with General Motors about the acquisition of the US group's truck factory at Dunstable, Bedfordshire, which produces Bedford military vehicles and some civilian versions for export out-

side Europe.

It seems likely that Mr Brown considers the Scammell factory only as an alternative should the deal with GM fall at the final hurdle.

Acknowledging that there had been considerable interest in the Scammell factory, Rover said there had been some discussions "but nothing you could describe as negotiations."

It pointed out there was no urgency because the factory was not due to close for another year. In view of the change in ownership of the Scammell name, the business has been re-named Special Trucks.

The Watford factory has the capability to build trucks up to 30 tonnes gross weight and, although demand for such vehicles is limited, the value of each is high.

Mr Wilkes believes it might be possible to set up a small independent company to exploit Scammell's special heavy vehicle business. His prime objective would be to keep some production at the existing Watford site where there has been substantial investment.

If there were demand for about 200 trucks a year it might save about 100 of the jobs due to go.

Rover said it would look sympathetically at any proposal by the Watford management. DAF has also agreed to listen to proposals.

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The Long Term Credit Bank of Japan, Ltd., London Branch £150 million Sterling Certificate of Deposit Programme	AB Svensk Exportkredit A\$50 million 14 1/2% Notes due 1990	City of Oslo Sfr250 million 4 1/2% Bonds 1987-1997	AMATIL Finance Pty Limited US\$125 million Note Issuance Facility	Unilever Australia Limited A\$40 million 14 1/4% Guaranteed Notes due 1990
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C.H. Beazer (Holdings) PLC £120 million and US\$250 million Multiple Option Facility	A/S Bergens Skillingsbank US\$50 million Commercial Paper and Certificate of Deposit Programme	Capitalcorp International Limited \$81 million Acquisition of 26.2% of Guinness Peat Group plc	Accor \$41 million Deep Discount Loan Stock 1997	AB Electrohux £100 million Sterling Commercial Paper Programme
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Extra exams 'to increase breadth of education'

BY LYNTON MCLENNAN

ADVANCED supplementary examinations in sixth forms, to be introduced this month, are expected to help increase the breadth of education for young people with special relevance for commerce and industry, according to The Engineering Council.

The council, which promotes engineering, issued a statement this morning jointly with leading organisations representing higher education in universities, polytechnics and colleges, in support of the new exams.

AS-levels will offer sixth formers the chance to broaden their fields of study and can be taken in a range of subjects, to complement or contrast their main choices. An AS-level is equivalent to half an A-level.

Mr Kenneth Millar, council director general, said: "The AS-levels provide a student studying, say, maths and science or technology at A-level with the ideal opportunity of taking English languages and humanities at AS-level, thus giving the student a broader balanced education."

The Engineering Council sees the collaboration in backing the exam as a big step towards achieving broader sixth form education. Higher education institutions will accept AS-levels in whole or in part towards entry requirements to most courses.

Teachers urge curbs on parents' power to opt out

BY DAVID BRINDLE

SCHOOLS SHOULD not be able to opt out of local authority control unless more than two-thirds of all parents of children at the school vote in favour, the big-geared teachers' trade union has told the Government.

The National Union of Teachers says the Government's plans for grant-maintained schools would allow a minority group of dissatisfied parents and governors to make an irreversible and "fundamentally undemocratic" decision to opt out.

While emphasising its total opposition to the principle of opting out, the NUT says in its formal response to the plans that if there is to be such provision, then "at least half and preferably two-thirds" of all parents - not just those voting - should be in favour.

Alternatively, the union suggests, there should be a second ballot between six and 12 months after the first one. Only if the second ballot confirmed a decision to opt out could application to do so be made.

The NUT's response is generally hostile to the Government's plans, branding them "a covert means of privatising the education service, reintroducing selective education and concentrating resources on a privileged elite."

The NAS/UTW, the other TUC-affiliated teachers' union, says in its response to the Government's scheme for delegating financial management to schools that it believes the scheme cannot succeed without better planning and increased funding for education.

The last outbreak of the disease in Spain was in 1966.

The ban covers not only horses, donkeys and mules originating from Spain but also any UK horses which have been sent to Spain for show-jumping and racing.

The Spanish authorities are introducing strong control measures to halt the spread of the disease but a number of horses have already died.

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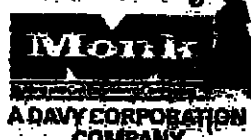
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Boot wins hospital extension

A £15.75m contract for the phase 4 extension at Leicester Royal Infirmary has been awarded to **BOOT**. Work starts next month for completion in three years. The eight-storey development in two wings will provide 360 general acute beds, 80 beds for the elderly, nine special investigation beds, an X-ray department, pharmacy department, additional out-patient clinics, medical illustration department, mortuary, and other supporting departments. It should be available to patients in 1991.

213 flats for students

BARRY D. TRENTHAM has been awarded a contract worth £1.4m by **Peabody & Co.** for Edinburgh University student accommodation at Seaton, Edinburgh. The project involves construction of a five-storey block providing 213 student flats, general amenity space and car parking. Work will be completed early in 1989.

Joint venture urban renewal



A £5m joint venture between **WIMBORNE** and the City of Salford involves the conversion of Ladywell flats into private flats and new houses for sale, and local authority flats for rent. The former council-owned properties in Eccles New Road will be transformed to provide one, two and three-bedroom homes, to be completed in two years.

CONSTRUCTION CONTRACTS

Longley refurbishes schools

A seven-storey City office building, a boarding school and a London casino are among £24m worth of contracts won by **JAMES LONGLEY & CO.** For Claydon Properties work has begun on a £4,000 sq. ft. air-conditioned office development at 75-79 Mansfield Street, London E1, where the features of the 14m H-shaped scheme include aluminium cladding and blue glazing. At Ascot, Berkshire, a school catering for 750 day and boarding pupils with a theatre, swimming pool, sports hall and specialist classrooms, is to be built for the Society of Licensed Victuallers. This will replace the original private school, known as Heatherdown, which was built by Longley in 1908. In Cromwell Road, London SW7, a £2.7m redevelopment project comprising a casino, reception suites and self-contained residential accommodation is under construction for Rutland Wood Properties. A £1.5m design and build scheme at Crawley is under way, providing 45,000 sq. ft. of offices for Sherwood Medical.

Work for a range of colleges and schools includes a £2.5m contract to extend and refurbish Crawley College of Technology; extension of the Institute of Marketing's training school at Cookham, Berkshire

(£500,000); and the redesign and conversion of staff accommodation at Christ's Hospital School, Horsham. In addition, Longley is to design and build a music block for Handcross Park School, construct a three-storey study/bedroom and staff houses complex for Ardingly College (£227,000); and undertake a variety of refurbishment on eight schools in the Surrey County Council area. Other Sussex projects, totalling £280,000, include alterations to the Dolphin & Abchurch Hotel at Chichester for Trusthouse Forte, refurbishment of a Grade II listed farmhouse at West Grinstead, and an extension to a private house

Lilley wins work worth £12m

LILLEY CONSTRUCTION, Glasgow, has won contracts totalling £12m. A 1.2km sewer is to be built at Thurrock for the Borough Council using an Iseli Poly Tech Crumpling Mole Machine (£2.7m). Two blastproof control buildings are to be constructed for Esso petroleum at Fawley (£3.5m). The company has also secured a contract for the construction of an access road as part of BP's Wytch Farm oilfield at poole, Dorset. Other contracts in this area include site preparation for Amoco (UK) Exploration Co. at Furtzdown; refurbishment of Alexandra House, Portsmouth for Hampshire County Council; a test track at Aldershot for the Property Services Agency, and a rifle range and drill hall for the South East Territorial Army Volunteer Reserve Association in Sussex.

Wiltshire busy in north east

JOHN E. WILTSHIRE GROUP has contracts worth more than £2m for work in the north east. Construction has started on a 25-week £1.8m polymer plant development for Bonar Cola Polymers at Newton Aycliffe. Work has started on £1.8m of extensions and alterations to Mono Containers' factory in Durham. Wm. Low & Co. is building its Gateshead distribution warehouse extended in a similar sized contract. Wiltshire is carrying out a further £1.2m work at Agyle Sports & Leisure Centre. Refurbishment will include a mechanical and electrical refit, and new swimming pool equipment. The Co-operative Wholesale Society has awarded a £250,000 contract to refurbish its regional distribution centre at Birley. Wiltshire is acting as management contractor for Middlesbrough Borough Council on the £584,000 refurbishment of the Sadiq Building in Middlesbrough. The four-storey building is being converted into multi-communitary group accommodation. The company is building a £400,000 public house for Samuel Smiths at Darlington.

£1m orders for Fondedile

FONDEDILE FOUNDATIONS has won contracts worth over £1m. Orders include drilling services for dewatering at the A55 Conway Crossing (£260,000); piling at La Crotte for the government of the States of Jersey (£251,000); piling and underpinning the river wall at Malvern House on the Thames (£250,000).

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21st September, 1987

The home of British Steel



At BSC Strip Mill Products, we help make dream homes come true.

With a range of advanced steels and steel composites that allow builders to take full advantage of new technologies.

And build better homes more cost-efficiently.

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1. The frame of the future is in Galvalite corrosion-resistant zinc-coated steel. New technology in framing has been developed by companies like Precision Metal Framing, whose Agreement approved system gives all the advantages of framing plus special benefits of its own.

2. Galvalite steel lintels give the builder the strength he needs. The span he needs. And the lightweight he loves. They are quicker and easier to build in than cumbersome concrete.

3. Exterior cladding, flashings and accessories in Colorcoat (Britain's most widely-used steel cladding material) look good. And go on looking good for years.

4. Garage doors and front doors last better in Colorcoat or Galvalite.

5. Cold reduced steels, with their excellent mechanical properties and ductility, prove themselves in every home in domestic radiators, structural components etc. Not to mention the family car.

6. And of course wherever you look BSC Strip Mill Products are involved in all the essential luxuries in the home like fridges and frying pans and furniture. All in steel. All helping towards the home beautiful.

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BSC Strip Mill Products: The steels for industry.

Wm MORRISON SUPERMARKETS PLC

INTERIM RESULTS

	26 weeks ended 1 August 1987	26 weeks ended 2 August 1986	52 weeks ended 31 January 1987
Turnover	£22,591	£20,165	£42,313
Operating profit	11,786	10,028	21,510
Profit before taxation	11,595	9,632	21,212
Profit after taxation	7,338	6,089	13,353
Earnings per share	7.88p	6.6p	14.4p
Dividends per share	8.5p	0.9p	1.6p

* Turnover increase 10.0%

* Operating profit increase 17.5%

* Profit before taxation increase 20.4%

* Open offer to shareholders of 1 convertible preference share for every 2 ordinary shares

Interim report and statements may be obtained from:

The Secretary, Wm Morrison Supermarkets PLC,

Hilmore House, Thornton Road, Bradford,

West Yorkshire, BD6 9AX.



Hongkong Bank

The Hongkong and Shanghai Banking Corporation
Incorporated in Hong Kong with limited liability

1987 Interim Dividend

For the purpose of calculating the number of new shares to be allotted to shareholders who have elected to receive the 1987 Interim Dividend of HK\$0.12 per share in scrip, the average of the last dealt price in the existing shares on The Stock Exchange of Hong Kong Limited on each of the five trading days following the closure of the Register of Shareholders on 14 September 1987 was HK\$10.52. The number of new shares which such shareholders will receive will be calculated as follows:

Number of shares held x $\frac{\text{HK\$0.12}}{\text{HK\$10.52}}$

Shares representing fractional entitlements will be sold and the net proceeds retained for the benefit of the Bank.

By Order of the Board
R G Barber
Secretary

Hong Kong, 21 September 1987

Wherever it is, we'll find it.

OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.

But, it is necessary to be prepared to wrestle this treasure from the earth's most secret strongholds, using the latest continuously evolving technology, and to venture into hostile, inaccessible places.

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JOHN LLOYD

RACE will dog the Conservative Government in the UK throughout its third term. The black and brown communities are too numerous, too settled and have too many bases of con-

tention with their white neighbours and with each other to allow optimism, or relaxation, on the race relations front.

If Britain does not wish to resign itself to the future which Enoch Powell sketched out nearly two decades ago—the River of Race flowing with much blood—you remember—we must take steps to avoid it. Taking steps, though, is likely to mean the adoption of the kind of policies which, if not anathema to the Government, are at least not up its street. For race relations in a liberal society does not lend itself to individualism and market-based solutions. It can be tackled only by dirigiste methods.

The liberal ethic holds that people of different races and cultures should be able to live together as fellow citizens, even though it acknowledges that the members of different communities who can be accommodated in the same country as the "host".

Many people share that assumption and live by it. Many more, however, do not.

The towns of Essex are full of men and women who will tell you, whether you want to know it or not, that they left their communities in east or south London to "get away from the blacks".

The parents of Donsbury make the point again. "I would not label as 'racist' those among them who do not want their children to attend Headfield Church of England School because 85 per cent of the children are of Asian origin, largely because the tag of racism confuses more than it describes. On that usage, it also describes Muslim parents who want their own schools and Afro-Caribbean members of the Labour Party who want black sections. It may be literally correct, but it is better to preserve its use as a perjorative to describe those who believe certain races to be endemic to inferior to others, usually their own. Yet on the Donsbury refu-

niks' own admission, the reason for their campaign to transfer their children to Overhorpe Church of England School is that they hold 85 per cent to be cultural 'swamping'." Harry Madden, one of the parents, is quoted as saying: "If it were 50:50, fair enough, I'd be happy. But not 85."

The success of Jean Marie Le Penn's National Front in France springs from a more organised and more frankly expressed version of the same phenomenon. Nearly two decades on from Mr Powell, Mr Le Penn has a familiar remedy: deportation. In the words of his new and unlooked-for apologist, Sir Alfred Sherman—whose Jewish blood remains unblemished by Mr Le Penn's characterisation—the halo-crown as a "detail in the history of the Second World War"—the French Arabs "do not fit into a Christian country. They cannot be loyal

to other countries, and this has nothing to do with racism." Sir Alfred, a former policy director of the Centre for Policy Studies, has thus arguably gone even further than other right-wing commentators, who increasingly sharply question the desirability, or even possibility, of large immigrant communities successfully integrating into British culture.

It is easy enough to talk up a crisis, or just a moral crisis, from nothing on this issue. British society is still relatively liberal (though the Asians of east London might be forgiven for missing that fact: a report last week from the Commission for Racial Equality showed that one in four had suffered racial attack or harassment). But it does not seem more liberal than France did before the Le Penn era, with its apparently easy acceptance of Francophone Africans, Arabs and Caribbeans. More

importantly, it will not be kept so by laissez faire.

I assume that deportation is not an option. The injustice of it needs only a few seconds' thought to be evident.

So we are left with the one-step-forward, two-steps-back process of trying to lay down ground rules for a multi-racial society. The Government has not been wholly lacking in initiatives. It has tried, for example, to employ more people from the ethnic minorities. But it should take much higher ground, both in setting an example and in cajoling the private sector. Ominously, the one minister to show real public enthusiasm for such a task—Peter Bottomley—was shunted out of the Department of Employment into Transport two years ago, after a very brief stay.

It is open to the Government, for example, to adopt one of the better ideas of the

former Greater London Council and seek to ensure that its contractors work towards a more racially balanced workforce, if they wish to continue receiving Government business. The system has worked so well in the US that efforts by the Administration to dislodge it ran into opposition from large corporations concerned that it continue for the sake of industrial relations and their public image.

But all of this needs an assertion that multi-racialism is part of the culture. That will meet with every kind of backlash—most of all from whites, but also from ethnic groups who demand more separatism than even a liberal democracy can tolerate or who really do merit Sir Alfred's strictures that they cannot be loyal.

The detractors of multi-racialism appear it with a concept of Anglo-Saxon patriotism. They will have

success with that line unless multi-racialism's supporters redefine patriotism, that most powerful of emotions, to include a polyglot culture. In doing so, they should enlist the full-hearted loyalty of ethnic minorities—and they would be assisted in this if more of them were in both the country's elites and its arms of authority, like the police.

What choice is there? To let society sort itself out "freely"? That is, to see more and more groups "stealing to one's own"; to see the areas of meeting and mingling shrink; to see more young black animosity and criminality, more acts of harassment sparking more riots and these, in turn, making the emergence of a British Le Penn more likely?

None of that is overblown to the residents, black and white, of some of the inner cities which the Prime Minister has visited. Its avoidance will require the mobilising of a response which does not come naturally either from the UK Government or from its people.

INTERVIEW

Quality without mercy

Raymond Snoddy meets Michael Checkland, BBC director-general

THE LATE Sir Huw Wheldon, when he was managing director of BBC Television, warned the promising young accountant that if he was ever going to get anywhere in the Corporation he would have to make some programmes.

"I didn't think I had time for that. There were a lot of things I wanted to do on the management and financial side," recounts Michael Checkland, director-general of the BBC.

He may never make a programme, but after seven months in the top job in British broadcasting Checkland is producing one of the most dramatic periods of change in the BBC's history.

With a speed and decisiveness that has verged on the brutal, new management structures have been put in place; many close associates of former director Alasdair Milne (died earlier this year) have retired, voluntarily or under pressure; young outsiders have been recruited for top jobs in an organisation with a strong tradition of internal promotion.

Internal promotion is the first thing you have to be the chief executive of a large organisation you have to have a structure where everyone knows what the various parts are. That I've done very quickly. I have made it clear we are looking not only inside the BBC but outside the BBC for the best people," says Checkland.

Plucked by then chairman Stuart Young from the relative obscurity of director of resources at BBC Television to be deputy director-general in 1985, Checkland was named director-general in February—having eased his way with quiet determination.

PERSONAL FILE

1936 Born in Birmingham
1959 Internal auditor, Parkinson Cowan
1962 Accountant, Thorn Electronics
1964 Joined the BBC as senior assistant in the cost department and became senior cost accountant in May of that year
1971 Chief accountant, BBC Television
1982 Director of resources, television
1985 Deputy director-general
1987 Appointed director-general in February

mination between two much better known men, David Dimbleby, the television presenter and Jeremy Isaacs, chief executive of Channel 4.

Immediately he abolished the three managing directorships—radio, television and external services—and replaced them with five new programme management areas. John Birt, the new deputy director-general, brought in from London Weekend Television, the independent television company, heads a combined news and current affairs directorate. The other

four are network television under Bill Cotton (who will be replaced by Michael Grade when he retires next year), network radio under David Hatch, regional broadcasting under Gerard Stanley Jones and external broadcasting under John Tuss.

"I believed that the jobs of managing directors were far too big. I didn't think a managing director responsible for all the news and current affairs, all of network television, including education and entertainment and local programming—was a practical job for any one person to do," says Checkland.

He noted with pleasure a small pastoral example of the new integrated approach when he visited the Royal Agricultural Society's annual show at Stoneleigh in July. He found local radio, regional television and even personnel recruitment grouped together in one tent under the banner of BBC Midlands.

It will take a much bigger canny to encompass one of Mr Checkland's most radical changes, the decision to merge the often warring fiefdoms of news and current affairs in a directorate with 70 journalists and an £80m annual budget.

Apart from demanding more rigorous journalism—some insiders claim it goes as far as requiring scripts to be approved in advance of filming—Birt has promoted young BBC executives such as Tony Hall, editor of the Nine O'Clock News, to become editor of television news and current affairs.

He has also brought in new people such as former LWT colleague Sam Shah as Hall's deputy, and Ian Hargreaves, features editor of the Financial Times, who has spent his working life in newspapers, as managing editor in charge of virtually all the BBC's journalists.

Appointments such as these—and that of 35-year-old Howell James, special adviser to Department of Trade and Industry Secretary Lord Young, as director of corporate affairs, the youngest ever member of the BBC board of management—raise the question of whether Michael Checkland is creating serious problems of internal morale.

"If we have chosen the wrong people it will obviously create problems of morale. The BBC will get behind the new editors and the new people if they prove to be good and competent."

Creating a new structure was just the first step in redefining the role of the BBC, a public service broadcaster funded by compulsory licence fee levied on all television viewers, in an age of growing competition and deregulation.

"This expansion of the marketplace gives us the opportunity to reassess the BBC's role as a national broadcaster," says the Birmingham grammar school boy who studied modern history at Oxford University.

Checkland believes that a secure financial base for the BBC will be of vital importance in protecting programme standards, when ITV could come

under growing commercial pressures from satellite and cable TV operators with little if any obligation to offer public service broadcasting.

Previous directors-general have tended to see themselves more as editors-in-chief than chief executives. Isn't there a danger that he might regard himself as chief executive rather than editor-in-chief?

"There is no such danger at all," Checkland replies, although he can think of only one major editorial decision he has taken so far—deciding to show Dennis Potter's play *Brimstone and Treacle* as part of a Potter retrospective season, a play banned by his predecessor because it portrayed the rape of a mentally handicapped girl. Checkland says he expects no more than half a dozen major editorial decisions to be referred up to him in a year, and it appears that 42-year-old Birt is very much in day-to-day editorial control of the Corporation.

Views of Checkland and his changes differ widely. Some believe the BBC is now being managed in a way that it has never been before. Others mutter about a Stalinist centralising approach which will sap inspiration.

To Sir Ian Threlthorpe, chairman of Thames Television and a former director-general of the BBC, it is too early to judge the final outcome. "They are very radical changes and only time will show whether they work or not."

Another former senior BBC

executive is much more critical: "There is a belief that structures can solve all the problems. It's the Central Committee approach. It's crazy." He fears that creativity and flexibility will suffer.

By contrast, an existing BBC executive describes Checkland as "practical and down to earth"—someone who has reduced the temperature and

the aggravation factor in the BBC's relations with the outside world.

Michael Checkland came to the BBC entirely by accident, when he was dissatisfied with his accountancy job at Thorn Electronics.

He immediately embraced what he describes as the sense of purpose and commitment he found there.

Now the former cost accountant, whose special topic at university was Oliver Cromwell, waxes lyrical on the subject of the powerful influence of radio and television.

For most of his life, his father worked in a retail hardware store in Broad Street, Birmingham. Arthur, the elder Checkland, who came from a similar background, the three Checkland children were expected to work hard, stand on their own two feet and get on.

His elder brother Donald, now deputy headmaster at King Edward's School, Birmingham, says he was more interested in football and music when he was young, although he was bright enough to get to Oxford without being a swot.

At the BBC, Checkland's business-like thinking is well suited to financially stringent times. He wants the Corporation to earn as much as it can from exploiting its infrastructure commercially: there are plans for new magazines tied into BBC programmes such as *The Clothes Show* and *Tram-mitter* "downtime" during the night could be used to distribute films to video recorder owners and specialist videos to groups such as doctors.

But again and again, the man who has made a programme returns to quality as the only justification for the continued existence of his film a year organisation.

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN MINISEA CO. LTD

EDRS holders are informed that Minisea Co. Ltd has paid a dividend to holders of record as at 31.12.1987. The cash dividend payable is £11.75 per Common Stock of £50.00 per share. Payment to the Depositary Agent, the Depositary has converted the net amount, after deduction of the relevant withholding tax, into United States Dollars. The dividend will be paid to the Depositary on 15.01.1988. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary of the Assent of a valid affidavit of residence in a Country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	France	The Netherlands	Spain
Belgium	Italy	New Zealand	Sweden
Canada	Japan	Poland	Switzerland
Denmark	South Korea	Portugal	United Kingdom
France	Taiwan	Republic of Korea	U.S. of America
Germany	Thailand	Spain	Zambia

Falling receipt of a valid affidavit, Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends payable in respect of current dividends.

Country	Gross Dividend	Dividend payable	Dividend payable
Japan <td>1,000 shares</td> <td>\$25.57</td> <td>Less 15% Japanese withholding tax</td>	1,000 shares	\$25.57	Less 15% Japanese withholding tax
		\$21.73	Less 20% Japanese withholding tax
		\$17.38	\$16.65

336 Strand, London, EC2R 1NR.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN MITSUBI CO. LTD

EDRS holders are informed that Mitsui Co. Ltd has paid a dividend to holders of record as at 31.12.1987. The cash dividend payable is ¥11.75 per Common Stock of ¥50.00 per share. Payment to the Depositary Agent, the Depositary has converted the net amount, after deduction of the relevant withholding tax, into United States Dollars. The dividend will be paid to the Depositary on 15.01.1988. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary of the Assent of a valid affidavit of residence in a Country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	France	The Netherlands	Spain
Belgium	Italy	New Zealand	Sweden
Canada	Japan	Poland	Switzerland
Denmark	South Korea	Portugal	United Kingdom
France	Taiwan	Republic of Korea	U.S. of America
Germany	Thailand	Spain	Zambia

Falling receipt of a valid affidavit, Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends payable in respect of current dividends.

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Japan <td>1,000 shares</td> <td>\$25.57</td> <td>Less 15% Japanese withholding tax</td>	1,000 shares	\$25.57	Less 15% Japanese withholding tax
		\$21.73	Less 20% Japanese withholding tax
		\$17.38	\$16.65

336 Strand, London, EC2R 1NR.

TRANSCAPITAL B.V.

* Senior Participating Notes due 1995 (the "Senior Notes")
* Junior Participating Notes due 1995 (the "Junior Notes")

Issued on a liability basis by Banque Internationale à Luxembourg S.A. representing beneficial interests in loans made by it to TRANSCAPITAL B.V.

In accordance with the provisions of the Senior and Junior Notes, notice is hereby given of the amount of interest payable on October 1, 1987 on the Senior and Junior Notes for the period from October 1, 1986 to June 30, 1987.

The amount of interest payable on October 1, 1987 against interest coupons as I will be as follows:

Denomination	US\$100,000.00	US\$50,000.00	US\$25,000.00
Senior Notes	US\$2,702.63	US\$1,351.32	US\$675.66
Junior Notes	US\$1,953.96	US\$976.98	US\$488.49

September 21, 1987
BANQUE INTERNATIONALE A LUXEMBOURG S.A.
as Principal Paying Agent

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN MARUBENI CORPORATION

NOTICE IS HEREBY GIVEN that Marubeni Corporation has paid a dividend to holders of record as at 31.12.1987. The cash dividend payable is ¥11.75 per Common Stock of ¥50.00 per share. Payment to the Depositary Agent, the Depositary has converted the net amount, after deduction of the relevant withholding tax, into United States Dollars. The dividend will be paid to the Depositary on 15.01.1988. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary of the Assent of a valid affidavit of residence in a Country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	France	The Netherlands	Spain
Belgium	Italy	New Zealand	Sweden
Canada	Japan	Poland	Switzerland
Denmark	South Korea	Portugal	United Kingdom
France	Taiwan	Republic of Korea	U.S. of America
Germany	Thailand	Spain	Zambia

Falling receipt of a valid affidavit, Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends payable in respect of current dividends.

Country	Gross Dividend	Dividend payable	Dividend payable
Japan <td>1,000 shares</td> <td>\$25.57</td> <td>Less 15% Japanese withholding tax</td>	1,000 shares	\$25.57	Less 15% Japanese withholding tax
		\$21.73	Less 20% Japanese withholding tax
		\$17.38	\$16.65

336 Strand, London, EC2R 1NR.

LEUEN INTERNATIONAL INVESTMENTS N.V.

US\$500,000.00 GUARANTEED FLOATING RATE NOTES 1988 EXTENDABLE AT THE HOLDERS' OPTION

Notice is hereby given pursuant to Condition 4 (a) of the Terms and Conditions of the Notes that the interest rate on the Notes will be the rate of the London Interbank Offered Rate (LIBOR) for the period commencing 21st September 1987 and ending 21st March 1988, plus 1.5% per annum.

Principal Paying Agent
BANK LEUEN TRUST CO
17 New Broad Street, London EC4A 3DF

BANQUE NATIONALE DE PARIS

US\$300 million floating rate notes 1985/2005

The amount of interest for the interest period beginning on 21 April 1987 and ending on 19 Oct 1987 as fixed by the reference agent will be US\$6,494.48 per US\$100,000 notes, being a rate about 7.2586 per cent.

NEWFOUNDLAND MUNICIPAL FINANCIAL CORPORATION

US\$3,000,000 7 1/2% 1986/1996 Bonds

Pursuant to the provisions of the Prospectus, notice is hereby given to Bondholders that the Bonds have been purchased for the account of the Corporation during the twelve-month period from September 15, 1986 to September 14, 1987.

Principal Paying Agent
KREMBITZMAN-S.A. LUXEMBOURG

Art Galleries

THE ART GALLERY for art, sculpture, etc.
100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 83

A common thread in a professional maze

Steven Butler explains the synergy of Abaco's disparate grouping

ABACO INVESTMENTS, the London-based financial services group, evidently could not be convinced to go on holiday this summer. Instead it managed a breath-taking 14 acquisitions during July and August.

These, indeed, are only the latest bits and pieces that have been tacked on to the shell company. Greencoast Properties, which in June 1983 came under the direction of two former merchant bankers, Peter Goldie and Cameron Brown.

Abaco has managed to keep both profits and earnings per share on a steady upward curve during its shopping spree for residential and commercial estate agents, insurance and mortgage brokers, loss adjusters, and other members of the licensed professional financial services family. Last Thursday, it announced a near five-fold increase in profits to £6.56m, while earnings per share doubled to 2.31p.

Even so, with the structure of the group only now fully taking shape, the real test and the potential benefits of the Abaco strategy appear yet to come.

The rationale for Abaco's growth rests on two fundamental ideas - first, that professional firms can benefit, and professionals be kept very happy, by being taken over by sophisticated corporate managers, and built in to a larger chain. Abaco makes its contribution by providing professional management services while the acquired firm retains a good deal of independence and carries on with its professional work more or less as in the past.

The short term of the business deal is that Abaco makes partners in the acquired firms wealthy men overnight while it negotiates a price that gives an immediate boost to earnings, made possible because Abaco's shares are highly rated and because small private firms come relatively cheap.

The second rationale is that business volume can blossom by cross-marketing of services. But the "synergy" aspect of the group structure applies only to parts of the business. There is no obvious logic to having an international loss adjusting company under the same roof as a local estate agent, except that both can potentially produce profits.

The potential for synergy is most apparent in the property

side of the business, but this has to some extent been embryonic to date. Next year the juice will be turned on as Abaco begins to market itself as a group.

John Charcol, the mortgage broker, was one of Abaco's earlier acquisitions and is in this respect strategic. Abaco has now assembled a chain of some 120 local estate agencies, and is gradually training and putting a John Charcol consultant into each office.

The jewel was set into the crown when Abaco's reputation for growth to the point that Hampton, the prestige London estate agent, approached Abaco last year and asked if it was interested in buying. "Hampton," attached in one way or another to the name of a local agency, is now to become the trade name for the entire chain of estate agents.

Recognition

Cameron Brown, managing director, says the aim is to create trade-name recognition among the public and to foster corporate unity, without damaging local identity. The group's designers are now wrestling with ways of using the name Hampton in order to achieve this.

Abaco decided not to use its own name for trading in order to avoid confusion in the minds of the investment community. Property-related services fill up only part of the Abaco stable, and Abaco does not want to be identified solely as a company tied to the fortunes of property because this could adversely affect its share price if the property market softens.

The formula also lightens the impact of being part of a big corporation. The great heavy corporate culture will not be imposed (on acquired companies), says Brown.

The goal is to maintain a club-like atmosphere across the group of like-minded professionals working together. This could be crucial given the kind of acquisitions Abaco has made. It has brought on, at latest count, about 60 self-made millionaires, men who do not have to work if they do not like the expansion in the residential property services is likely to slow down as the field of estate agent chains is quickly becoming crowded. Abbey National,

the most recent entry, announced recently that it would create a chain of 1,000 franchised, branded, estate agents.

This increases both the competition and the cost of Abaco's expansion by bidding up the price of established estate agencies. Further acquisitions will be limited to geographic filling in by acquiring smaller agencies where, Brown says, a good price can still be negotiated.

The chains, however, have been dominated by banks, building societies, and insurance companies intent on finding a marketing outlet for their own branded products - mortgages and mortgage-related life insurance policies.

The structure of Hambro Countrywide, which is 60 per cent owned by Hambros, the merchant banking and financial services group, bears the strongest similarity to Abaco's property services, with the strong retention of local agent identity under a broader corporate management structure.

Brown believes - as does Hambro - that there is no significant consumer loyalty to estate agencies, and that the business is kept strong by maintaining an entrepreneurial spirit.

This view is clearly at odds with that of the Abbey National, or the Prudential, which are attempting to provide a uniform branded service. The market may well have room for both strategies to succeed.

Hambro did, however, break ranks with Abaco recently, with the announcement that it would soon be supplying its own branded life insurance products from a new company being established by Guardian Royal Exchange. A branded range of mortgage products could well follow.

This leaves Abaco alone among the major estate agency chains in offering all life insurance and mortgage products from all vendors, and this point will be a key part of its marketing strategy. The position is analogous to the decision by National Westminster Bank last week to sell its unit trust business in order to establish a marketing position as an independent broker of a range of financial services.

Brown says the experience of joining Abaco has for the majority been a happy one. "Most of the firms that have come in



Cameron Brown: making professionals happy

have found their lives not substantially changed. If in the past you've taken 10 weeks' holiday, joined the golf club, driven an expensive car and made those kind of results, that is what we are buying," he says.

Most professionals, he says, are glad to be relieved of the task of managing their businesses, which allows them to get on with the professional work for which they are trained and that they generally enjoy. Many, he says, find that Abaco manages the business end better, with strict reporting procedures, cash controls, and reduced overheads, and this can translate into higher income under Abaco's incentive schemes.

The estate agencies, mortgage brokers, banking, and mortgage portfolio administration subsidiaries all have realised and probably much more unrealised potential for cross-marketing of services, and thus offer the best possibilities for organic growth. The emphasis on acquisitions, however, is likely to come in other areas of professional services - loss adjusting, insurance broking, or other, as yet untried, fields. These acquisitions provide balance to the structure of the group by creating different profit streams unlikely to be affected by the same business cycles.

They have also made Abaco an international group very quickly. Some 85 to 90 per cent of 1986-1987 profits came from the UK, 70 per cent property-related. Both these ratios are likely to fall steadily, with UK contributions falling to perhaps 50 per cent eventually.

Abaco's rapid expansion has been made possible by what

amounts to a substantial act of faith by the investment community, which has kept Abaco shares on a high rating and thus made possible the issue of new paper to make acquisitions. For this, Brown gives a good deal of credit to British & Commonwealth, which took a major stake in Abaco after John Gumm became B & C chairman in 1986.

The B & C stake, currently at 28 per cent, has raised the profile of the group, and indeed B & C has helped Abaco in transforming the group structure. B & C recently sold to Abaco its 50 per cent stake in Cayzer Steel Bowater, the insurance broking company, while B & C picked up Abaco's development capital business.

At the same time, Abaco sold off its property development activities, the original business of the shell company, making Abaco a pure, fee-based, professional services group. B & C last January also picked up Goldie to work as a B & C co-managing director, while he retains his Abaco position as non-executive deputy chairman.

The large B & C stake has raised questions about Abaco's independence and future, some of which Brown says "rankles." B & C has been an important supporter, but not the originator of Abaco's strategy.

Brown will not rule out the possibility of an eventual takeover by B & C, but says he doubts this would be in Abaco's best interest for the time-being. Abaco is establishing itself as a manager of professionals, and the key is to maintain a corporate culture where professionals feel happy and motivated.

Employee share schemes

Cheaper capital needed

Dina Medland explains how even greater growth could be achieved

THE BEST WAY FOR the Government to promote wider share ownership in the UK would be to provide cheaper capital to companies introducing employee share schemes. This is a conclusion of a survey of 110 companies conducted this summer by George Copeman, deputy chairman of the Wider Share Ownership Council.

Some 89 per cent of the companies surveyed had employee share schemes and the remainder planned to introduce them. Copeman told the Fourth Annual Forum for Companies with Employee Share Schemes in London earlier this month.

A clear majority - 71 per cent - favoured cheaper capital for the financing of employee share ownership plans (ESOPs), which have shown a steady rate of growth in recent years. In March the London Stock Exchange reported that about 1.5m people owned shares in companies they worked for.

Companies were also keen on a linkage between management and general employee share ownership plans in such a way that extra tax relief would not be available for "super" share options for top management if the company did not also have a general employee share scheme. The survey found a proposal suggesting such a link was supported by 87 per cent of the participants.

The Wider Share Ownership Council, an independent body founded in 1983 and based in the City of London, has campaigned for four years on the need to link executive share options to general employee share schemes.

This has been part of its campaign to extend share owner-

ship, which has witnessed a considerable success in the last few years, with the number of individual shareholders reaching 20 per cent of the adult population in the UK today. The Council's fear that executive option schemes would be introduced faster than schemes for general employees has, it says, been borne out by events - in three years 3,418 applications for approval of executive schemes have been received by the Revenue, while it has taken eight years for the total applications for both profit-sharing schemes and savings related share option schemes to reach 1,655.

Copeman proposes that there should be tax relief for super options so that capital gains tax, not income tax, but conditional on the company also having a general employee share scheme.

Such an arrangement could benefit both government and industry, by being cheaper for government than any other form of tax relief and yet obliging fast-growing companies to introduce a share scheme for all their employees, Copeman suggests.

OFT Trade unions, too, are beginning to change their attitude on the spread of individual share ownership. At the Trades Union Congress in Blackpool last week, delegates supported a review of policy over the next year which will examine ideas such as ESOPs, although they maintained their opposition to the Government's privatisation programme.

OFT The privatisation programme has, of course, been the major factor in recent surges in share ownership. A recent sur-

vey by the union-backed Labour Research department found that the 13 share sales in nine companies had initially attracted about 7.5m small shareholders, declining to 5.6m this year.

In the survey conducted by Copeman, 61 per cent of those companies favoured additional corporation tax relief for firms with share schemes - an idea that has been tried, in the form of a tax credit rather than a cut, in both France and the US.

OFT Such relief is "expensive but logically justified by the fact that fast growth companies are the ones which have their corporation tax bill reduced by the way they have to spend revenue in the process of growing. If they are not willing to share with employees the capital they create when growing, it may be argued that they should pay a higher rate of corporation tax than those which also share," says the paper.

Linking profit-related pay schemes to profit sharing schemes appealed to 61 per cent of the companies surveyed. Copeman suggests more companies did not respond favourably to this idea because many have come to realise that, "as the law stands now, it is in fact possible to link profit-related pay to other incentive rewards."

He suggests, however, that to achieve maximum benefits, profit-related pay must be introduced on a widespread basis where at least 20 per cent of employee reward is profit-related - partly in cash, partly in shares and partly in pension booster. "This provides immediate incentive, medium-term incentive and longer-term security, plus encouragement to stay and make a career with the business that offers this kind of package."

Business courses

Protectionism and International Banking, Frankfurt, October 29-31. Fee: DM550 or \$300. Details from Ms Jill Thompson, Institut der deutschen Wirtschaft, Gustav-Heinemann-Ufer 84-88, D-5000 Köln 51.

Corporate Leadership in Turbulent Times, Zurich, October 5-7. Fee: SF1,380 (spouses SF700). Details from Goldieb Dutweiler, Institute, The Green Meadows Foundation, CH-8803 Ruschlikon/Zurich. Tel: 513-71.08

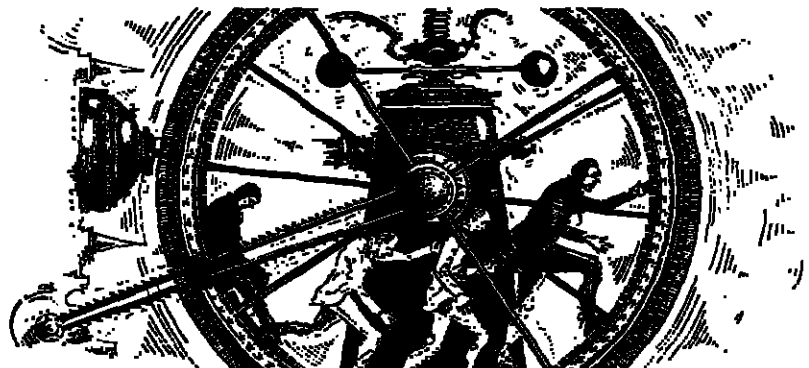
01-461 37 16, Telex: 826510, Fax: 01-461 37 30. International Securities Business and the Financial Services Act, London, October 14. Fee: £340, plus VAT. Details from Financial Times Conference Organisation, 2nd Floor, 125 Jermy Street, London SW1Y 4JL. Tel: 01-625 2332. Telex: London 27347 FTCONF G.

Sales Force Management, London, November 2-6. Fee: Non-members BF765,000, Members BF765,500. Details from Management Centre Europe, rue Caroly 25, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21917.61.748. Telefax: 32/2/513.71.08

Organisational Change: Performance Through Intervention, Uxbridge, Middx, October 3-9. Fee: £345. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middx UB8 3PH. Tel: 0895 56461 Extn. 215.

Effective Speaking and Case Presentation, London, October 21-22 and November 23-24. Fee: £390. Details from Course Developer (GM18), Management Development Centre, City University Business School, Frobrisher Crescent, Barbican Centre, London EC2 3BH. Tel: 01-920 0111 Extn 275. Fax: 01-568 2756.

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THE ARTS

Architecture/Colin Amery

Removing the mystique of commissioning

In a foreword to a new Government publication, *Art for Architecture*, two ministers, the Minister for Housing and Planning and the Minister for the Arts, sign the following remarkable statement: "We take it for granted, in the enduring buildings of our architectural heritage, that art and architecture go hand in hand. Sculptures, tapestries, iron-work, stone, and wood-carving, whether on a grand scale or in a simple setting, add to the eye and raise the spirits. Enrichment of this kind was stripped away in the stern functionalism of recent times and we are beginning to realise just how much we have lost and how unsatisfying and lacklustre building can become."

"They go on to say that style and image are now, in architecture, as important as function."

These are fascinating glimpses of the ministerial mind. Can we now take it for granted that the official style for Thatcherite Britain is to be enriched, colourful architecture encrusted with decoration — Victorian values in fact? Fortunately the editor of this publication, Deanna Petherbridge, is herself a serious artist, and she puts the yearning for embellishment by those carrying the burden of ministerial responsibility into a highly intelligent perspective.

The purpose of the book is to be a manual and a handbook for all those interested in the commissioning of works of art or craft for new buildings or renovations. There can be no doubt that this is an intensely important subject, and this is a practical and useful book that approaches the world of art commissioning in a clear and useful way.

The commissioning of works of art as part of new architecture should really be an almost automatic procedure. As this handbook points out, it is not a difficult procedure and much of the well organised information here about contracts, working methods and advisory bodies



Kevin Atherton's "Platform Pieces" on Brighton Station commissioned by British Rail

that help to find the appropriate artists, demonstrates that there are no mysteries. What always makes me anxious about the whole superstructure of art panels, arts councils, regional arts associations, etc., is that they have an inevitable tendency to bureaucratise the relationship between patron and artist. Too much art in the United Kingdom is commissioned in a committee inspired and emasculated as a result. Strong individual patrons backing their own hunches are more

important than any official sponsorship. Support in the public sector is, of course, important but it has to avoid the blandness of officialdom. There is an impressive range of examples in this book, carefully chosen to illustrate varieties of scale and quality. The refurbishment of Unilever House under the firm direction of Pentagram shows how a complex interior can be embellished by the same use of artists and craftsmen as was so often done during the Arts

and Crafts Movement. Working within the spirit of a major 1920s building seems to have inspired contemporary work that is complementary to the original. The fact that Unilever has an annual art purchasing budget of some £20,000 is an encouraging sign of a continuing interest in patronage and collecting by a major company.

The use of craftsmen and artists at Oriel House in London from the earliest stage, working with architects Whitfield Partners, has proved convincingly that it is possible for crafts to help underline the architectural effect. The feeling today among clients and architects is that Le Corbusier got it wrong when he wrote: "Let me as an architect affirm this: architecture is an event in itself. It can exist quite independently. It has no need of painting and sculpture."

There are still some older architects and teachers who would confidently echo Le Corbusier's words; they are the architects who would just about tolerate an artist's work if it was placed in front of their building as a mere note of contrast or homage. The Alexander Calder or the ubiquitous Henry Moore plonked on the grass in front of indifferent modern buildings is all too familiar.

What is rare, and is only touched on in this report, is the idea that an artist, or artists, should work in the design team from the very beginning. The suggestion is that architects would find this difficult for two reasons: one, that architects consider themselves artists anyway and there is too much potential for conflict with too many artists on the job, and the other — which is interestingly explained by Deanna Petherbridge — is the great difference within the UK in training methods for artists and architects. It is sometimes amusing for them to speak the same language.

It may be because of this language difficulty that some of the more successful projects illustrated here do not have

much to do with architecture. The Stockholm underground is really one enormous community gallery, and in Seattle, where there is an enlightened one per cent policy — the percentage of the total building budget for a public project which is devoted to commissioning art — the more elaborate earthworks and environmental schemes seem the most successful.

Again Seattle demonstrates the effectiveness of using artists in the design process from an early stage. The sections of this report on how to commission and how to be a patron should be required reading for all property developers. Maintenance and the problem of vandalism are also dealt with in a useful way and addresses of bodies who can help the patron are all listed.

What a report like this cannot do is give criteria of quality. This is a difficult art and it is all very well saying that we live in times of artistic pluralism. I have found that patrons often look for solid recommendations of quality; they are reluctant to take risks and have a tendency to go for the established names so that they can see their money has been well spent.

Fashion also plays a part in the development of individual taste and in the climate for commissioning. If *Art for Architecture* can inspire a creative dialogue between the patron and the artist, then the enrichment of the environment that we all seek will not only happen but be understood.

Art for Architecture, edited by Deanna Petherbridge, is published by Her Majesty's Stationery Office, London at £14.95.

In my article last week about Sun Life of Canada in Basingstoke, I should have mentioned that James Lang, Wootton Development Services initiated the selection of — and helped choose — the successful architectural practice.

The Trojans at Carthage/Grand Theatre, Leeds

Andrew Clements



Sally Burgess and Patricia Bardon

The production of Berlioz's *The Trojans*, to be shared between Opera North, Welsh National and Scottish Operas, got under way almost exactly a year ago when the first part, *The Fall of Troy*, was staged by Opera North. It moved to Cardiff in February; there WNO added the second part and gave performances of the complete work, which was reviewed on this page by Max Loppert. Part 2 alone has now been brought to the Grand Theatre, Leeds: Opera North is presenting Tim Albery's production of *The Trojans* at Carthage with its own cast and conductor, to seal what must surely be regarded as one of the highest achievements of British opera in the 1980s.

The post-industrial Carthage conjured by the designs of Tom Cairns and Antony McDonald, in which muskets and ston-guns line up alongside gilded arrows and swords, formal suits confront peasant smocks, and everyone wears sensible shoes, instantly and resolutely recalls the claustrophobic images that encapsulated Troy in the earlier segment. The diamond-hard brilliance of that earlier staging is not repeated here; the work itself lacks the same intense directness, and its set-pieces and points of repose are taken by Albery as the opportunity for a rich feast of symbolism.

The realisation of "The Royal Hunt and Storm" as a night-mare sequence in which Dido wanders through the world of her own fantasies and fears is splendidly vivid (though the de-accusation which follows seems to me one of the production's few lapses), while the image that dominates the final scene — the crimson-strewn bed from which Dido tears sheet after sheet in ever-mounting fury — becomes an indelible crystallisation of desperate grief.

This pallidness of signs does sometimes threaten to overwhelm the protagonists; not all of them are as fully defined vocally as one could wish. At least Sally Burgess's Dido is not only a fine singer but a powerful actress, and Paul Nilon's Hylas, who seizes the opportunity of his final act song with immaculate phrasing and affecting emotional directness to generate one of the evening's high points, does not suffer any shortcomings, the remaining characters have been drawn by Albery with equal detail: the hip-flask toting Iopas of Barry Banks, rigid, tureaucratic Narbal of Matthew Best, rough-leaved Pantheus of Stephen Richardson.

Giving the action depth, resonance and ritualistic energy, as in *The Fall of Troy*, the Opera North chorus, vividly alive from its assorted oblations in the first act to the final words of the opera, when it hurls its blood-spattered warning directly into the audience for the production's final coup. David Lloyd-Jones conducts with fierce, yet never over-emphatic rhythmic bite, and he obtains first-class responses from his orchestra; the occasional spectacular solo lapses may have been glaringly obvious, but they did not reflect the true quality of the playing. It seems unlikely this company will ever have the wherewithal to present both parts of *The Trojans* in a single evening, but its version of the second part should be seen with all possible speed.

Macbeth/Lyttelton

Martin Hoyle

A snobbish critic once remarked that the cinema is the shallowest of the arts since it depends for its impact on the visual, the most obvious and immediate means of expression. The construction of this review dismisses the Ninagawa Company's *Macbeth* as superficial, for this is pre-eminently visual theatre. Grouping, light, scenery and movement come from an ensemble not excessively stylised but apparently incapable of the ungraceful.

As the Toho Company they brought *Macbeth* to Edinburgh two years ago and performed *Medea* at the festival last year. Both are now in London: next week they give their spectacular Euripides in the Olivier.

Of course there are cultural differences. The male witches are frankly ludicrous; pantomime dames making goon-like noises. (If I added humorously to this with a solemnly respectful silence on the first night.) The background music is drawn from the more carmally popular classics — lucky

Japan evidently has no Hundred Best Tunes to tint music with the wrong associations. On the first night some technical glitches included brief candles that flickered or fell, and a few over. But there are moments of great beauty and dramatic power: Lady Macbeth's sleepwalking is a full-blooded mad scene as she moans and sprawls on the ground; Macbeth picks off his opponent with weary assurance under the falling blossom in the final battle. Like the travellers who hear the story of *Macbeth*, two bent figures hobble up the stage, one carrying a large, ornate, ornamental shutters on the history of *Macbeth*. They watch, eating a meal, mostly impassive, from each side of the proscenium, moved to grief by the skewering of the *Macbeths* by a tiny, deadly, kneeling prayer to the troubled shades on stage before closing the doors and passing on. Much of the action is seen through a panned grille: Banquo's murder, the banquet, the conductor's sojourn in England is overshadowed by giant statues of grotesque devil warriors. The advancing candlestick flickers through the slatted back wall to announce Lady Macbeth's somnambulism. Komaki Kurahara is no hard-driven and hard-driving battle-axe. She is visibly shaken after planting the bloody knives on the sleeping grooms; and our first sight of the usurpers crowned makes it plain that already they are bowed under an invisible burden of guilt. As *Macbeth* Masan Takayama grows paradoxically nobler with guilt and therefore resignation. The stylised battle, where he disposes of a stage full of enemies watched by the immobile Macduff, as inexorable as fate itself, has a dash of the Fairbanks; but an inescapable destiny hovers in the fog and filth air that so often wraps the stage action in mist. The unfailing pictorial quality of Yukio Ninagawa's direction on Kappa Senoh's set, poetically lit by Sumio Yoshii, is always at the service of the plot and characters. It is another dimension to the mere story. Superficial indeed!

Musica Nova/SNO Centre, Glasgow

Arthur Jacobs

Modern music usually enters sneakily into orchestral programmes. But the Scottish National Orchestra's triennial festival, Musica Nova, glides in it a week of concerts, talks and other events, some of them with free admission. One hardly knows whether first to congratulate the orchestra — and the University of Glasgow, its partner in the promotion — or to deplore its evident acquiescence in the apathy of the public. In a city of 800,000 people, the concerts are held in a hall which accommodates no more than 250. On Thursday night, even with such a relatively fashionable composer as Takemitsu on the programme, it was hardly full.

Since his Gyndelbourne operas on Maurice Sendak's stories for children, Oliver Knussen must now also count in these circles as a familiar figure. The two less familiar who completed Thursday's programme were widely separated: Mark-Anthony Turnage is only 27 but it is suicide had not ended Bernd Alois Zimmermann's career in 1970. The five works (two by Knussen, one being a brief but effective fantasia) were to have been conducted by Knussen himself. Though present, he had been unwell and the conducting was undertaken by Richard Bernardes with his usual total professionalism. If any one present had not previously taken note of Turnage, his *Night Dances* would surely have seized their atten-

tion. Written when he was only 20, it has a lucid form and a resourceful handling of an unusually constituted orchestra. Between two dance-movements an interlude presents a long solo for muted trumpet, the composer's tribute to the jazz musician Miles Davis. It adds a wistful blues-like element to music which elsewhere has a dense texture and feverish energy of, say, Schoenberg's pre-1914 *Piece Orchestra Pieces*. I cannot think that Zimmermann was well represented by his *Musique pour les Soupers de Roi Ubu*, a work of parody and collage inspired by Jarry's surrealist play. Collage, or multiple quotation and distortion from other composers, too easily becomes a game of comic recognition: it takes a Berio or a Shostakovich to do it seriously and well. More satisfaction was given Takemitsu: under the

typically puzzling title of *Window/Dream*, he allows a shimmering, impressionistic texture to gather force and focus as it gains its tonally anchored conclusion. The title *Music for a Puppet Court* might, one thinks, also be Japanese. But no: Knussen gave it in 1983 to four short movements which involve a re-treatment of music ascribed to John Lloyd, a shadowy court composer of Henry VIII. Like Peter Maxwell Davies in similar archaeological mood, Knussen is in danger of seeming to play with, rather than play on, his material. But real feeling occasionally emerges too. The apparent rish which the orchestra brought to the whole programme deserves acknowledgement. I can only hope that some of the works are revived in the orchestra's regular season.

18th century British painting at the Tate

The Tate Gallery is holding a major exhibition, opening October 15, dedicated to the emergence of the British school of painting during the first half of the 18th century. *Manors and Mansions: Hogarth and British Painting 1700-1760*.

Hogarth will be represented by over 20 works, including his *Conquest of Mexico* set, and also a number of works never previously exhibited. Other artists include Lambert, Scott and Wilson as well as

Hogwood appointment

Christopher Hogwood has been appointed Director of Music of the St Paul Chamber Orchestra, as from September 1988. Also, his contract as artistic director of the Handel and Haydn Society, the oldest performing arts organisation in the US, has been extended for a further two years until 1991.

Maazel's Beethoven/Barbican

David Murray

On Saturday at the Barbican Hall the London Symphony Orchestra's new season of Beethoven under Lorin Maazel, and above it the sponsor's name displayed in friezes of what seemed to be cotton-wool balls. These latter were surely over the top: the Philips presence was sufficiently established by the programme covers, and by the flysheet on every seat; I remembered the old provincial days when every orchestra played a visiting Oxford had to perform upon an instrument egregiously ornamented with the name of the piano-rental firm. Though sponsorship is greatly welcome these days, it needn't invade the music.

Maazel's readings of Beethoven's Fourth and Ninth Symphonies were much more temperate — in the case of the Fourth, quite stiflingly so. The introduction of a wrong note, a dissonance, a wrong return in the way of suspense or a good springboard for the Allegro vivace. That, and both the other quick movements, were taken just tamely enough to discount the orchestra's Beethovenian quality. The finale in particular proceeded at a bland trot, with Maazel refusing to point up any of the witty twists in the strings' *molto perpetuo*. The whole seemed comfortably anaesthetised, with negative assistance from the backward woodwinds — the LSO strings, full and forward, regularly buried them.

Probably Maazel hasn't yet

got the measure of this tricky hall; or perhaps the LSO woodwinds' favourite game of musical chairs should have gone another round or two — neither before nor after the interval did the first-desk players make a cogent quartet. In the Ninth, however, it mattered less, and Maazel's solemn sobriety was better found. The opening Allegro, if hardly visionary, was at least strong and purposeful, like the Scherzo; and Maazel's paraphrasing in the noble Adagio was literally plain.

The outset of the Finale administered no shock, and despite the cellist's heavy, repetitive Beethoven's fraught, fragmentary reprises had no more weight than a potpourri. (Curious that Maazel's instinct for such music-dramatic effects should have gone to sleep should go adrift in Beethoven!) Fortunately the voices on hand were fervently committed enough to rescue the rest. Peter Maazel's reading of the Ninth Symphony was much more temperate — in the case of the Fourth, quite stiflingly so. The introduction of a wrong note, a dissonance, a wrong return in the way of suspense or a good springboard for the Allegro vivace. That, and both the other quick movements, were taken just tamely enough to discount the orchestra's Beethovenian quality. The finale in particular proceeded at a bland trot, with Maazel refusing to point up any of the witty twists in the strings' *molto perpetuo*. The whole seemed comfortably anaesthetised, with negative assistance from the backward woodwinds — the LSO strings, full and forward, regularly buried them.

Arts Guide

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Music

LONDON

Thomas Vassary, piano and director with the Fag Concerto String Orchestra. Haydn, Mozart and Larson. Queen Elizabeth Hall (Tue), (022 3191).

London Symphony Orchestra and Chorus conducted by Lorin Maazel. Mahler 2. Barbican Hall (Tue), (039 5891).

Academy of St. Martin-in-the-Fields. Chamber ensemble directed by Kenneth Sillito. Mendelssohn and Schubert. Queen Elizabeth Hall (Wed).

London Philharmonic conducted by Klaus Tennstedt with Maurizio Pollini, piano. Webern, Beethoven and Brahms. Royal Festival Hall (Thur), (022 3191).

London Symphony Orchestra conducted by Lorin Maazel. Mahler 5. Barbican Hall (Thur).

PARIS

Orchestre Philharmonique de Montpellier. Langue-d'Or-Roussillon conducted by Cyril Diederich. Montpellier Opera Choir, Orfeo Catala Choir. Berlioz (Tue), Salle Pleyel (051 0630).

Mezzor Zabaleta, harp, Monique Franco-Chambrier, violin and alto, Pierre-Alain Elie, flute. Mozart, Debussy, Pärt, Alvens, Bach (Tue), Saint-Severin Church (4583 7855).

Orchestre National de France conducted by Georges Pretre, Barbara Hendricks, Florence Quivar, Jean-Philippe Courtie. Beethoven Cellini in concert version (Wed), Theatre des Champs Elysees (4790 3637).

NEWEL

Orchestra Philharmonique conducted by Marek Janowski. Webern, Mendelssohn, Saint-Saens (Thur), Theatre des Champs Elysees (4790 3637).

Orchestre National de Tlle de France conducted by Jacques Mercier. Choir Ars Musicae: Debussy, Ravel, Schmitt (Thur), Salle Pleyel (4581 0630).

Ensemble Orchestral de Paris conducted by Philippe Herreweghe. Frederic Pélissier, violin, Chœur de la Chapelle Royale, Collegium Vocale de Gand. Mendelssohn (Thur), Theatre de la Sorbonne (4582 8757).

ITALY

Milan: Teatro Alla Scala: Rafael Frühbeck de Burgos conducting Haydn, Ravel with pianist Alicia de Larrocha, and Bartok (Wed and Thur), (02 81 28).

Florence: Teatro Comunale: Israel Philharmonic Orchestra conducted by Zubin Mehta, Prokofiev and Tchaikovsky (Mon and Tue), (271 92 36).

NETHERLANDS

Rotterdam: Deelen. James Conlon conducting the Rotterdam Philharmonic, with Bella Davidovich, piano: Riedstra, Tchaikovsky, Berlioz (Thur), Royal Hall: The Netherlands Brass Quintet: Ewald, Forsyth, Bach, Pachelbel, Scarlatti, Rossini (Tue), (413 2498).

Utrecht, Vredenburg. Ferdinand Terby conducting the North Holland Philharmonic: Bernstein, Milhaud, Biz-

et, Smetana, Rossini, Borodin

(Wed), Antoon Ros-Marba conducting the Netherlands Philharmonic, with Alexander Rumberg, cello, Mozart, Haydn, Schubert (Thur), (31 45 44).

The Hague, Dr Anton Philipszaal. The Netherlands Philharmonic Chamber Ensemble under Vladimir Spivakov with a solo company. The collective result was still solidly bracing, and would have crowned a bigger conception of the whole work.

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Gary Hoffman, cello, David Eitvin baritone, William Neil organ with Orchestra Society of Washington directed by Robert Shaffer. Carter, Pärt, Copland, W. Schuman (Tue), Mstislav Rostropovich conducting. Toch, Mozart, Berlioz (Thur), Kennedy Center (254 3779).

NEW YORK

Carnegie Hall: Vienna Philharmonic. Leonard Bernstein conducting. Christa Ludwig mezzo-soprano, Bernstein, Mozart, Sibelius (Thur), (247 7800).

Juilliard Symphony (Juilliard School): Sixteen Ehrlich conducting. Beethoven, Sibelius (Wed), Lincoln Center.

Merkin Hall (Goodman House): Roger Press piano recital. Franck, Robert Casadesu, Rachmaninoff, Chopin, Prokofiev (Mon), 67th W. of Broadway (262 8717).

Kunhaman Hall: Jeffrey Siegel piano recital. Brahms, Liszt, Gershwin (Tue), 1395 Lexington Ave. (681 8800).

New York Philharmonic (Avery Fisher Hall)

Sir Colin Davis conducting. Berlioz (Thur), Sir Colin Davis conducting. Berlioz and Vaughan Williams (Tue), Lincoln Center (874 2424).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting. Murray Perahia piano. Bartok, Schumann, Tchaikovsky (Thur), (485 8111).

TOKYO

Tokyo Metropolitan Symphony Orchestra, conducted by Jean Fournet. Ravel and Saint-Saens. Suntory Hall (Mon), (222 0727).

Yomiuri Nippon Orchestra conducted by Helmut Rieger. Strauss, Ravel, Brahms. Tokyo Kosei Kenkyu Hall, Suntory Hall (Tue), (226 9886).

Tokyo Philharmonic Orchestra, conducted by Ozawa with Nai Yuan Hu, violin. Mendelssohn, Bruckner. Suntory Hall (Tue), (226 9886).

New Japan Philharmonic Orchestra conducted by Seiji Ozawa with Viktor Mulyova, violin. Al-Brahms programme. Suntory Hall (Thur), (481 2590).

Kammer Orchester Berlin, conductor Heinz Schunk; oboe, Jürgen Abel. Bach. Hitomi Hall, Showa Women's College, Sanganyaya (Thur), (481 2590).

Traditional Japanese: Shin-nai Bushi story-telling accompanied by shamisen, banjo-like instrument. Soloist Tsuchiya Fujimatsu. Mitsuokoshi Theatre (Wed), (431 3311).

Beethoven/Elizabeth Hall

Max Loppert

The Beethoven Series devised by Roger Norrington and the London Classical Players, which is also being preserved on record, continued on Thursday with the Andante and the piano concerto. A long concert, in clock time (and made longer by the between-movement applause that, with historical justification but nevertheless slightly trespassing, the conductor encourages). In every other aspect, though, it was one of the least time-heavy Beethoven concerts, and one of the most completely exhilarating and enjoyable that I can ever remember attending.

It was a concert so full of good things that one hesitates to list some for fear of inevitably neglecting others; but it climaxed in a "Pastoral" so light of heart, fleet of foot, and shot through with gloriously glowing colour, that it sent one out onto the concrete South Bank pathways wanting to dance and shout for joy. Pleasure in all the benefits an authentically disposed and instrumented Classical orchestra can confer on balance, the ease of rhythmic pointing, the newly intensified impact of coloristic effects — has been described so often in recent times that the list of pleasures is in danger of becoming a litany.

Yet in respect of this "Pastoral" the danger must be faced, the litany repeated, for the

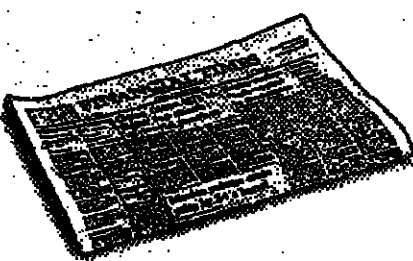
In last week's notice of the Scottish Opera *Aida* I mistakenly named the producer of Opera North's recent production as Andrei Serban; he was, of course, Philip Rowan.

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Monday September 21 1987

Prospects for UK growth

IS Mrs Thatcher's government about to fulfil the dreams of that well-known socialist economist, the late Lord Kaldor? When attempting to explain the relatively rapid growth of some economies after the Second World War, he emphasised the importance of two prior conditions: substantial unemployment and an undervalued real exchange rate. Unintentionally, perhaps, eight years of Thatcherism have produced just those conditions.

Rapid export-led growth of output could, Lord Kaldor asserted, produce a sustained reduction in unemployment, since there would then be no problem with the balance of payments. Furthermore, because output would grow rapidly as labour was absorbed into employment, there would also be rapid growth of productivity. With high productivity growth, there could be both fast growth of real wages and a competitive real exchange rate. More important still, once a rapid and stable rate of growth had been enjoyed for a number of years, investment would rise to make growth self-sustaining in the long term.

Such a virtuous circle is by no means inconceivable. Indeed, after some six years of steady growth, with growing employment and an exchange rate which has produced tradable import substitutes and exportables appears to be quite profitable (the best definition of what is meant by a "competitive real exchange rate"). The dream may become reality. Given Lord Kaldor's profound dislike of monetarism, this development would, presumably, have surprised him.

Relaxed view

Certainly, the news last week supports the optimistic view. The economy is growing at an annual rate of 4 per cent, while manufacturing output is estimated to have grown at an annual rate of 5 to 5.5 per cent in the three months to July, with output finally returning to the level of 1979. Labour is also being absorbed, with employment rising 265,000 over the year to the first quarter of 1987 and unemployment falling to 414,000 in the year to August. In addition, as Lord Kaldor would have wished, the balance of payments does not look likely to be a problem. The preliminary estimates suggest a tiny deficit in the second quarter of 1987. The current account position appears to be deteriorating, but a country with net external assets (private and public) of well over £100bn can afford to take a very relaxed

view and continue to grow faster than its markets.

For the virtuous circle story to be convincing, however, one would hope to see a sharp rise in investment as growth accelerates and unemployment falls. Here the picture is darker. The volume of investment in the past 12 months was just 3 per cent higher than in the previous 12 months, while investment in manufacturing has been highly erratic, with the first half of 1987 no higher in real terms than the first half of 1986. There is probably room for much greater efficiency in the use of capital, but there is also a limit to this process. If growth is to be sustained at a level that will absorb the unemployed, a sustained rise in investment will be required.

Problem areas

Ironically, the achievement of sustained growth is threatened by developments in two areas, one where liberalisation is most complete, the financial markets, and the other where liberalisation has gone least far, the labour market. The rapid growth of money is the result of private credit expansion. If required, the Government must be prepared to raise interest rates again. On balance, however, the dangers of the consequences of monetary growth per se may prove exaggerated in a period when real wealth and real interest rates have risen.

It is the labour market that remains the chief concern. The underlying increase in earnings was 7.1 per cent in the year to July in the economy as a whole and 8.1 per cent in manufacturing. Productivity growth in manufacturing remains above 7 per cent a year, but the question is whether this extraordinary rate is sustainable without increased investment. Worse, earnings may now be rising more quickly. If unit costs were to rise even a little faster and, especially, if the terms of trade were to deteriorate, there would be the annual rate of 5 to 5.5 per cent in the three months to July, with output finally returning to the level of 1979. Labour is also being absorbed, with employment rising 265,000 over the year to the first quarter of 1987 and unemployment falling to 414,000 in the year to August.

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A commission looking for ways to free West Germany's telecommunications market from Bundespost control has just produced a controversial report. Peter Bruce, in Bonn, reports

RELAXING the Bundespost's feverish grip on West Germany's telecommunications market was never going to be easy, but Eberhard Witte thought he might be in with a real chance when the Government asked him to assemble a commission to recommend ways to do it. As it turns out, he got about half-way.

Bonn had to do something. With 500,000 employees, the Bundespost is Europe's biggest employer. It has total control over what passes through West German lines and over what is attached to the end of them.

The cost of leasing a line from the Bundespost is among the highest in the world. With the existence of a Posts and Telecommunications Ministry enshrined in the Basic Law, the Bundespost has been untouchable for decades, becoming a test bed for West German companies to try out technology while excluding serious foreign competition.

The edifice started to crack five or six years ago. Major telecom users began to complain loudly of high charges and absurd rules governing the computer equipment they were allowed to use. This was restricting Frankfurt's growth as a financial centre, and the frustrations of American banks and financial institutions trying to sell sophisticated services in West Germany brought pressure on Bonn to a head.

Helped by the Economics Ministry, run by the liberal Free Democrats (FDP) and a haven for free marketeers, the US pressed Bonn to liberalise the market. The omnibus Trade Bill now passing through the US Congress clearly has the Bundespost in mind, and it refers to difficult international telecoms markets.

Into the breach 24 years ago stepped Professor Witte, a Munich-based economist. He selected 11 other commissioners from business, the main political parties, the trade unions and academia. The big equipment suppliers had their people there too. But while the Government was quick to use the mere existence of the commission as evidence of its desire to do something, observers noted just how seriously Professor Witte was taking the job.

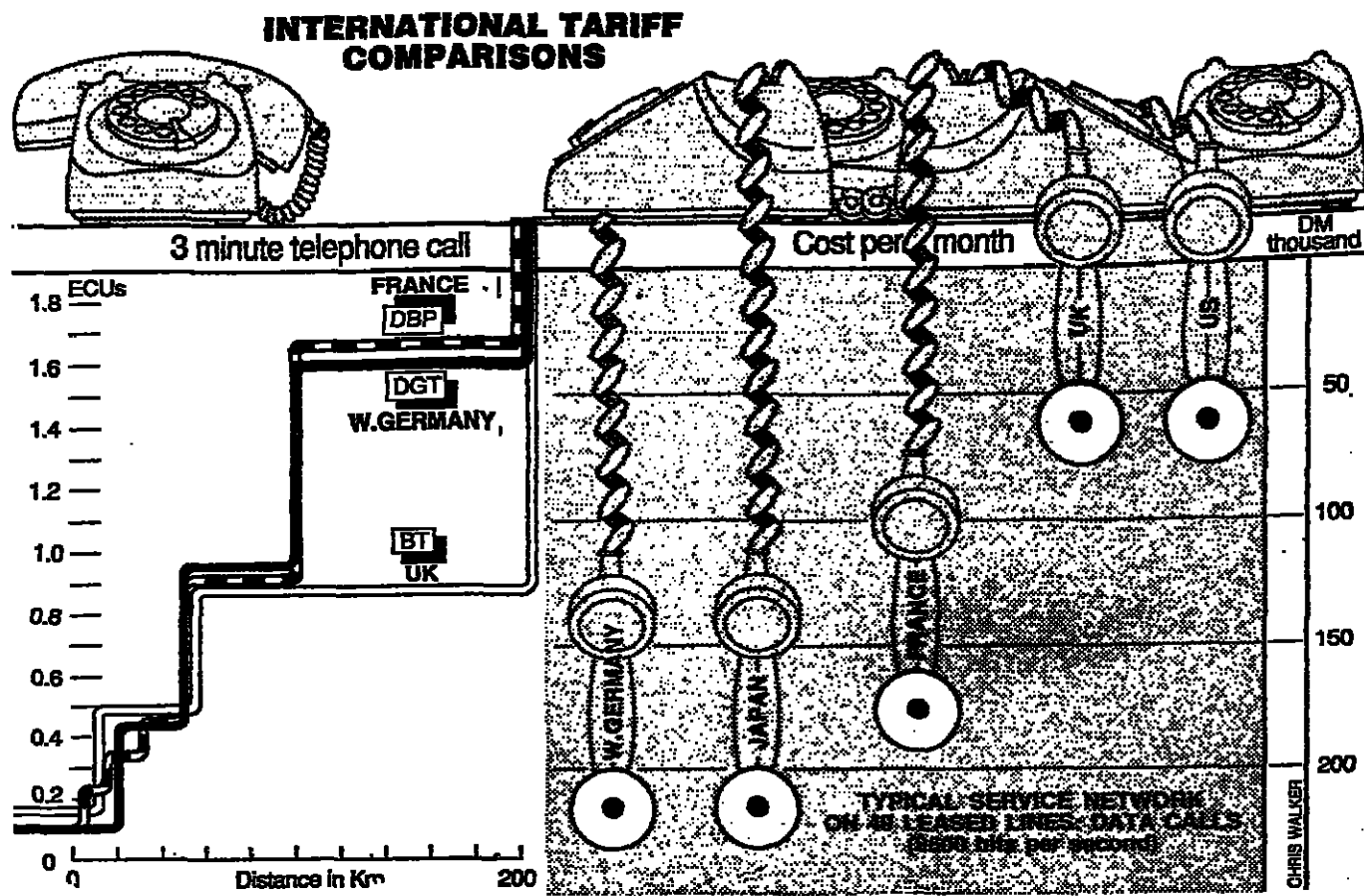
The commissioners heard dozens of expert witnesses and received even more depositions from interest groups and lobbyists. They travelled to Britain, Japan and the US to study deregulation. Initially, there seemed to be a real prospect that their recommendations would cut deep.

It was clear there would be opposition. The trade union and Social Democratic (SPD) commissioners were both opposed to reform. In industry, switch producers like Siemens and Standard Elektrik Lorenz (SEL) had no interest in seeing the network dismantled.

The right-wing Bavarian representative on the commission, Edmund Stoiber, hardly ever turned up to a commission hearing—a demonstration of Munich's lack of interest in the proceedings.

Senior Bundespost officials made no effort to hide their contempt for deregulation in the US and UK.

The real measure of the commission's mettle was whether it would propose the establishment of a rival network to the Bundespost, like Mercury in Britain.



A recurring fault on the line to reform

Professor Witte seems to have started out in favour of this, but the difficulty was finding a home-grown prospect because none of the major equipment producers could be counted upon. The Bundespost is West Germany's biggest investor—DM 18.7bn (£6.3bn) this year—and IBM large suppliers could survive without its patronage. But there was one hopeful prospect: IBM.

In the early 1980s, IBM had established Satellite Business Systems (SBS), a long-distance network in the US. Professor Witte had hoped that IBM, whose West German subsidiary was not a network supplier, might be persuaded to develop a network.

But the transmission experiment was an unhappy one. SBS never worked well and IBM struggled to find the right market niches. In June 1985, just two months after the commission began its work, IBM sold SBS to MCI Communications.

AT&T's chief rival in the US long-distance telephone market, MCI, had been in the market for some time and Professor Witte never really recovered his enthusiasm.

Last September, the commission visited Japan and was more impressed by network suppliers than by the Japanese.

They were Tyl Necker, chairman of the BDI, the West German equivalent of the Con-

federation of British Industry, Jürgen Tetsch, a director of the Commerzbank, representing the chambers of commerce (DIET), the Economics Ministry representative, Wernhard Moeschel, and a specialist from the FDP, Dieter Fetsch-Roeber. Convinced by the Japanese that rival networks improved rather than suffocated telecommunications, they produced a minority report sharply critical of the others.

The Japanese visit was, it is said, also marked by excited exchanges between the trade union representative, Albert Stegmüller, and his colleagues. Mr Stegmüller opposed any changes to the Bundespost and was alarmed at the influence the visit had had on the commission.

After Japan, there was little work left to do. But the Government was running up to a general election in January of this year, to be followed by four difficult state elections. Fearful that the SPD and the unions would raise a scare about postal charges going up and the telephone service becoming more business-oriented, the Government held off completion of the report.

However, Professor Witte, in an effort not to let his work wither away, pressed for and got a vote by the commission on an interim set of recommendations in February. The members tied 6-6 on a proposal to allow private schools to set up a private network, but what did

emerge was nevertheless quite an advance.

The Bundespost would establish a monopoly network called Telenetz and a separate services organisation, Tele-dienst, which would compete with the private sector in equipment and services. The division between Telenetz and Tele-dienst would be strict, to stop Tele-dienst from using the network at cut-price rates, if not free of charge.

Tele-dienst could have been out on its own against some of the most advanced providers of services in the world, because the interim report also recommended allowing anyone to offer equipment and services.

The Bundespost bureaucracy was quick to spot the threat. It is hard to say quite how pressure was applied, or who applied it, but even that plan was dropped.

The recommendations handed over to Chancellor Helmut Kohl by Professor Witte on Wednesday of last week are a far cry from what might have been. And by the time they have been passed through Cabinet and parliament, they will no doubt be even weaker.

Christian Schwarz-Schilling, the Posts Minister, said after receiving the report that the Government wanted to begin restructuring the telecoms market in 1989.

The key change in the recommendations is that Telenetz and Tele-dienst have been merged into something called Telekom, which would have a monopoly

over network provision and the telephone service (that is, telephone connection). So there would be no divide between the network provider and the so-called "competitive" service operation, and no watchdog other than the Posts Ministry. One gloomy equipment producer in Bonn said this week: "The commission set out to discover what could be done (politically), but it ought to have recommended what should be done." Clearly the defenders of network monopoly have won a considerable victory and the remaining, apparently liberal, recommendations must have been easy to concede.

Anyone should be allowed to offer services or equipment, says the report, but Telekom must be allowed to compete at all levels. The present lengthy equipment approvals process—something foreign producers complain about bitterly—will be put into the hands of an "independent" body reporting to the Posts Ministry.

This display of faith in the ministry's ability suddenly to separate itself from the Bundespost (they are effectively the same thing) is repeated often, as when the report proposes that it should "oversee" the setting of telecoms tariffs by Telekom. The recommendations that Telekom separate itself from the postal service and that the latter post cease being subsidised by the telephone service could also be difficult to police.

The minority report, unexpected and most unwelcome to the Government, is scathing in its criticism. "If the network and telephone service remain, as recommended by the commission, in the monopoly, then 90 per cent of telecommunications, as measured by the proceeds of the Bundespost, is cut off from competition," it says.

It calls for the establishment of at least one network competitor, full competition in cellular radio networks and the establishment of a watchdog similar to Britain's OFTEL, which would be part of the cartel authority in Berlin.

A solemn majority proposal that three years after restructuring the Bundespost, the Government should check that Telekom has been changing "competitive" tariffs, is not taken seriously in Bonn. The recommendation adds that if Bonn is not satisfied, then it could license another network. But provided by whom?

Mr Schwarz-Schilling, who believes the report tests the limit of what is politically possible, did hint that a way might be left open for private satellite or mobile telecoms networks, but he was vague.

Probably the best news for business customers (many of whom cheat anyway and already use the equipment they want without approval) is that the commission says the Bundespost's notorious volume tariffs on leased lines should be cut dramatically. Under the present system a company can lease a line from the Bundespost but, after using it for just 80 hours a month, normal tariffs apply and the customer has to pay for the volume of traffic as well. On average, it costs roughly four times as much to operate a leased line in West Germany as in the UK or the US.

The Bonn coalition will not find it easy to implement even limited changes. With the FDP pushing for greater liberalisation than the report suggests, and the Bavarian Christian Social Union (CSU), led by Franz Josef Strauss, wary that the commission might have gone too far, Mr Kohl's (Christian Democrats (CDU) have some difficult decisions to make.

The unions will be fiercely opposed to any tampering with the present set-up. So will many CDU MPs who are just beginning to see an end to the Government's sour relationship with organised labour. The CDU, anyway, has no real stomach for reform of any kind and it already has an uncomfortable task ahead of it next year—trying to cut down the nation's DM 125bn health bill. Mr Schwarz-Schilling will have to try to keep expectations down as parliament and Cabinet decide what to do. No one, least of all the Posts Minister, is going to risk a career by pushing for reforms that might strike a hostile chord among traditional conservative voters. He will try to bottle up what he calls the "emotional and irrational" American pressure for liberalisation with promises of change to come.

From the West German public he has little to fear because most seem to believe that the Bundespost is quite the most progressive, vital and friendly service in the world. That message, if little else, has been marketed well.

The way ahead in arms buying

NATO GOVERNMENTS spend more than \$200bn a year buying arms to equip their forces. On both sides of the Atlantic in recent years they have been trying to get better value for this very large amount of taxpayers' money. They may now have to redouble these efforts.

Conventional forces are, relative to their effect, more expensive than nuclear ones and conventional defence will become more important once medium-range nuclear missiles are removed from Europe by US-Soviet treaty. At the same time, western publics will naturally be loath, in the warming climate of relations with Moscow, to spend any more on defence.

The obvious value-for-money policies for governments to pursue are to curb the ambitions of their military services, so that only the most cost-effective weapons systems are developed, and to encourage the largest number of companies to compete for defence contracts so that the discipline of the market place is exerted upon prices.

Competitive model

On competition, at least, the Europeans have rightly seen the US as a model. The US has made big savings by putting complete systems, components and spare parts to competition, aided, of course, by the size of its industrial base. True, the US quest for competition has recently been carried to some excess, with the US army, at one end of the spectrum, spending \$5,400 to obtain competitive data on a \$11,000 spare purchase, and, at the other, the US Navy planning competition in the making of Trident submarines and missiles.

But this has not discredited the basic concept, and with good reason: competition is becoming a buzzword around the arms industry's directorates of Europe. A novel instance of it occurred last week in London.

Representatives of the defence industries of Britain and France, countries with the largest but most self-centred military procurement in Europe, tried to try to seek opportunities in each other's markets. Britain and France both face severe defence budget constraints and are now apparently ready to buy more defence equipment from beyond their national borders to make savings.

Wasteful programmes

However, there is another side to Pentagon procurement practices which Europe should not want to emulate. This became clearer than ever last week with the news that Mr Richard Godwin, number three in the Pentagon hierarchy and nominally in charge of the \$140bn procurement budget, is to resign. Appointed "procurement czar" to master the Pentagon bureaucracy, Mr Godwin has found himself mastered by it, and unable to control the procurement chiefs of the three branches of the armed services.

The historic decentralisation of US defence procurement, which has flourished under a lax manager like Mr Caspar Weinberger, has resulted in a wasteful proliferation of programmes—the US Navy buys 17 different types of aircraft—and of regulations. Some companies would rather forego US defence business than wend their way through a 150,000 strong bureaucracy and 30,000 pages of procurement rules.

There is a salutary warning here for Europe. It is many years since European defence ministries, chiefly under financial pressure, centralised their purchasing. But they still present companies with the most complex procurement procedures among government bodies. Defence contracting rules need to be kept as simple and transparent as possible—particularly if European companies are to be expected to seek business beyond their home bases.

Sweden—a model or a warning?

ONE OF Europe's most formidable political machines, the Swedish social democratic party, is holding court in Stockholm this week at Folketshuset, the People's House.

The social democrats have maintained a hold on power unprecedented in a modern western democracy. Alone or occasionally in coalitions they have held the government for 49 of the last 55 years. And if the latest opinion polls are anything to go by, they are unlikely to relinquish their grip at the coming general election in September next year.

In the process they have built a country that has served both as a model and a warning for foreign observers.

The social democrats' Sweden combines the biggest public sector of any western economy, the highest taxes, the narrowest wage differentials, and the most highly unionised workforce with one of the highest standards of living, one of the lowest rates of unemployment, and one of the most vigorous industrial sectors.

It is home to a clutch of multinational corporations unrivalled in a country of little more than eight million people, although at least one, Asea, is now seeking to slip out of Swedish control through its pioneering merger with Switzerland's Brown Boveri.

Fresh from a visit to the White House—to add to other sorties to Peking and Moscow—prime Minister Ingvar Carlsson will this week face his first conference as party chairman. He must prove he is a worthy successor to Olof Palme, Tage Erlander, Per Albin Hansson and Hjalmar Branting, the architects of modern Sweden.

We will be aware that the social democrats like continuity

and they are not used to failure.

Carlsson travels light

The congress, which is taking place only a stone's throw from where Olof Palme was murdered by a still unidentified assassin in February last year, is inevitably marked by the memory of the deaths in the last two years of some of the key figures of the Swedish labour movement—Tage Erlander, Alva Myrdal, and Palme himself.

At least on paper Carlsson has far more impressive credentials to be a social democratic leader than the more patrician Palme. Carlsson is the son of a warehouseman father and textile worker mother from the west Swedish industrial town of Borås.

As well as galvanising the rank and file, and smoothing over any cracks in the broad coalition of interests that make up the Swedish labour movement, Carlsson has the task this week of making sure that the leadership is not saddled with too many expensive and impossible commitments in the run-up to next year's election. Among the 900 congress motions, he should have little trouble in heading off the traditional radical calls for widespread nationalisation, or the replacement of the monarchy with an elected head of state.

Trouble could be looming, however, on the vexed question of tax reform. The finance minister Kjell-Olof Feldt does not want to lower the overall tax burden, but he does want lower marginal taxes. Also the party leadership could be heading into trouble over the controversial question of arms exports, with demands from some quarters for a total ban.

Men and Matters

Calls for a six-hour working day are now going a good way to being ruled out for the moment. But it could come for parents with young children.

In his opening speech Carlsson singled out as priority areas for legislative reform parents with small children, the elderly, and the handicapped. It was hardly a call to the barricades.

"First we have to create the resources, then we can use them," he said cautiously.

Company town

Bofors, the Swedish arms manufacturer now at the centre of a series of embarrassing investigations into alleged bribery and smuggling of weapons to the Middle East, has good reason to remember Ingvar Bratt.

The suspicions had been around for some time but it was only when Bratt, aged 45, a former Bofors electronics engineer, decided to spill the beans that the investigations began in earnest.

Bratt became a new folk hero in Sweden but in Bofors' home town of Karlskoga the judgments have been less flattering. Bratt has had to face the hatred of the Karlskoga citizenry. He is sometimes shunned in the street, or has had to put up with people shouting abuse at him, telling him he should be ashamed of himself for betraying Bofors, and warning him that he should leave the town.

He has received death threats and telephone calls from strangers who criticise him for breaking the company's vow of silence.

"Some old friends do not see me at all," he says, "they have cut me out of their lives." His few friends left at Bofors claim they have been put under observation as possible security risks.

The feeling in Karlskoga

appears to be that the betrayal of one's company is far worse than connivance in breaking the law.

But then nearly every family is dependent—directly or indirectly—on Nobel Industries, the Bofors parent company.

Of the 34,000 inhabitants some 6,600 are employed at Nobel, 5,000 in the Bofors plant. The town of Karlskoga, founded in 1646, is a company where fathers and sons work generation after generation and they feel very deeply for it," says one employee.

Bratt says: "Only later did I realise that for the people of Karlskoga, the company is like a father, and the company comes before everything else, even the law."

The leaks have not stopped with Bratt, however. With impeccable timing on the eve of the Social Democrats congress, the peace movement (the Swedish Peace and Arbitration Association, which first publicised Bratt's claims) has come up with three new sources in the company.

Bratt is no longer alone.

Pure air

Commercial television is up for discussion again at the Swedish social democratic conference this week.

Sweden still has a ban on television advertising with just two state monopoly channels. Even though a new opinion poll claims that seven out of ten Swedes are in favour of television advertising, the ruling party is not expected to give way.

The two state channels are slow to modernise. The evening news has been put back by 30 minutes and lengthened. But in the frequent gaps between programmes the viewer is still subjected to bird-song and scenes of seasonal landscapes.

Hell, says our man in Sweden, must be where the Germans are responsible for law and order, the British do the cooking, and the Swedes are in charge of television.

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Marxist Angola is ready to join the IMF. But, says Paul Betts, problems abound

A SMALL tablecloth of tomato sauce costs, after much haggling, 50 kwanzas in the crowded and dingy market of Soyo, north-west Angola—about \$1.66 (£1) at the official exchange rate of 30 kwanzas to the dollar.

But the official currency is virtually worthless in Angola these days. The real currency consists of cans of beer, bottles of Coca-Cola, Scotch whisky and T-shirts which can be bartered. A bar of soap is worth a tin of tomato sauce, a can of beer one and a half kilos of bananas.

Soyo is better off than many other parts of Angola. The presence of large international oil groups like Elf-Aquitaine, Texaco and Conoco, active in the nearby offshore fields, means that the small town is well provided with imported western goods. Even the salaries of local workers are paid in produce rather than kwanzas.

"We pay about 40 per cent of our local wages in products flown in from France and sold at our company store. The rest is in local currency but very often Angolan employees don't even bother to draw the money," says one of the Elf oil men stationed at Soyo.

The barrier economy is only one telling manifestation of the economic woes of a country once described as the "Rivera of West Africa" with bountiful natural resources including oil and diamonds as well as coffee and other agricultural products. Caught since its independence from Portugal 12 years ago in a long and draining civil war, the country has been devastated by the superpowers—the Soviets and Cubans back the Marxist regime and the South Africans and Americans the Unita rebels of Mr Jonas Savimbi—Angola today is a country in tatters.

The war has destroyed much of the arable land and forced more than 600,000 of the country's population to seek refuge in cities which have turned into refuse dumps. The French ambassador, for example, directs guests to his residence in Luanda by asking them to turn right at a big garbage pile.

Almost naked children rummage in the rubbish piles. At Luanda Airport, a dog which has been shot by a stray bullet is seen for the first time in the city. The shop windows of the city are bare except for a few dusty rolls of string, some nails, a few clothes and other bric-a-brac. Some have bare shelves.

A few months ago about 4,000 people died of cholera in Luanda. "It was a miracle that not more people died," says a western aid worker. Everywhere you see soldiers hobbling on one leg with crutches, victims of the mines of Unita.



The war has cost Angola \$12bn and 60,000 lives

A change of mood but not of prospects

Under the circumstances, it is not altogether surprising to find Angola in the throes of what appears to be a major reappraisal of its internal and external policies. "Despite its large oil revenues, or perhaps because of oil which has in many ways been a curse for the country by enabling the government to finance the protracted war, the country has clearly reached the end of the road," says a Western businessman in Luanda's Meridien hotel.

Last month, President Jose Eduardo dos Santos struck out in a new direction, announcing his country's formal application for membership of the International Monetary Fund (IMF). Economic reforms have been put forward to encourage private enterprise and foreign investment, as well as to curb the country's chronic and inefficient bureaucracy.

Angola was the last major African state to enter the IMF fold and is now seeking to use that process to win a rescheduling of its \$4bn

external debt. At the same time, Angola plans to negotiate separately with France and the UK a rescheduling of its payment arrears.

There are other signs of changing attitudes towards the West. The government has renewed contact with Washington and is actively seeking formal diplomatic recognition from the US. A second round of talks between Mr Chester Crocker, the US assistant secretary of state for African affairs, and the Luanda government took place earlier this month. Mr Alfonso van Dorem M'Binda, the Angolan foreign minister, confirmed in an interview that there would be further talks with Washington over Angola's latest proposals to withdraw from southern Angola, over a two-year period.

20,000 of the 37,000 Cuban troops stationed in the country. In return, the Angolans want the Americans to stop supplying arms to Unita and to put pressure on South Africa to withdraw its forces from southern Angola and accelerate the process of independence of Namibia, which at present offers a safe haven for South African troops on Angola's

border. The Angolan Government has also made other overtures towards the West. Three weeks ago, it was instrumental in securing the release of two European prisoners in South Africa—a French aid worker and a Dutchman—as part of a major exchange of prisoners with Pretoria. Mr dos Santos is also about to set off on a tour of European capitals, starting with France, which is likely to be asked to sponsor Angola's IMF membership application.

Mr dos Santos will also be seeking about \$16m in emergency Western aid to help ease the near-famine.

A further sign of Angola's increasing reliance on western support is the government's efforts to diversify its arms supply sources beyond its Soviet allies. Mr Pedro Tonha Pedale, the defence minister, says that Angola is negotiating a series of defence-related contracts with French and Belgian companies.

Angola also continues to be heavily dependent on the West for its oil production. After the sharp fall in oil prices which badly shook the Angolan economy last year, oil revenues

are expected to pick up again to the \$2bn level this year, with annual production rising to around 400,000 barrels a day by the end of the year. Oil has produced many paradoxes for Angola; the country's biggest offshore oil field is operated by the American Chevron-Gulf group and protected by Cuban soldiers. Western oilmen barter Scotch or cognac for lobsters with the Soviet fishing fleet which combs more or less exclusively the rich Angolan waters.

But sentiment in Luanda is less pessimistic than it was. "Something important is clearly happening," says one Western diplomat stationed in the capital. "But it is difficult to say what the follow up will be and how long it will take or whether in six months' time we will again be back to square one."

At present there seems to be no solution to the 12-year stalemate in the war. Despite its formidable Soviet arsenal and the support of Soviet advisers and Cuban troops, Angola has failed to crack the Unita rebels. Angolan army officers admit that as long as Unita continues to be actively backed by South Africa, Angola has little chance of ending the war. In what is a war without a front, Unita rebels have struck key targets throughout the vast country, attacking the northern oil operations and the diamond mines.

After 12 years of this war, however, the country and the foreign powers implicated in Angola appear to have become increasingly tired and dejected by the seemingly unresolvable conflict. This, perhaps more than any other factor, appears to be prompting the current reappraisal of the Angolan situation both in Luanda as well as in Washington, Cuba and Moscow. The war has cost Angola \$12bn and 60,000 deaths, not to mention the vast number of injured and crippled soldiers, 150,000 refugees and the more than 600,000 people who have fled the countryside for the cities.

Judging from the language in Luanda, however, there is no chance of the government agreeing to sit down at the same table with Mr Savimbi to try to work out a political solution to the conflict. Mr Savimbi remains the "fantoche" or the "traitor puppet" for the Marxist government. At the same time, many Angolans openly acknowledge that no major breakthrough in the conflict is likely to occur as long as the question of Namibian independence remains unresolved; some consider peace to be impossible as long as South Africa remains at war with itself over apartheid.

Words, beliefs and Lawson policies

By Samuel Brittan

IT IS characteristic of Nigel Lawson, the British Chancellor, that one of his most interesting speeches for a very long time—far more than those just dealing with Treasury hats and bolts—was not published at all.

I refer to the introductory remarks he made a week ago at the beginning of a National Economic Development Office conference to discuss Keynes's General Theory after 51 years. These were not sent out as a Treasury Press Notice nor even as a NEDO one (although the Treasury will supply copies).

Nevertheless the speech does a great deal to explain the development of Mr Lawson's economic views. It is a speech in which he admitted that he had not always been so preoccupied with inflation—which it is impossible to imagine Mrs Thatcher making, and should put right those who think of him as a Thatcher clone.

But I do have a more personal interest. For we both went through a remarkably similar, although not identical, development from an initial belief in Keynesian demand management to secure full employment, towards a more sceptical stance.

One difference is that Mr Lawson starts by saying that he was always more interested in the practical application of economics to policy: "My taste for theory," he says, "was satisfied by philosophy." How much better it would have been for both subjects if the linguistic philosophers then in the ascendant had devoted themselves to analysing the conceptual confusions behind the controversies in the softer human sciences instead of the supposed mistakes of past philosophers.

His first macroeconomic reading was the 1944 Employment White Paper, which was a characteristically British establishment product. It was present about the dangers of rising prices and wages frustrating demand management policy, but gave no reason other than the national good why any worker or employer should not exercise his market power.

The turning point for Mr Lawson came when inflation began to take off in the late 1960s (after the sterling devaluation which he and I both advocated. He should prepare another speech on his evolving attitude to exchange rates). He

also had a growing disenchantment with the idea (in some interpretations of the General Theory) of reducing real wages and curbing unemployment by the back door of modest inflation. The position Mr Lawson ultimately reached was twofold. First that the "recipe for economic success" (a profoundly non-Conservative notion) was "the greatest practicable market freedom within an overall framework of firm financial discipline." He adds that precisely how that framework is best applied is "essentially a second order question," despite its practical importance.

The second order nature of the financial framework is absolutely right, but one which both financial market operators and would-be technocratic politicians find hard to understand.

The severance of the link between macroeconomic policy and growth and jobs is useful, but it goes too far

stand. Nevertheless, the underlying idea that local expenditure should rise at a more inflationary rate is far more important than whether, at particular times, it is more convenient to express it in the form of a target for one or other measure of the money supply, an exchange rate goal, nominal gross domestic product or some other nominal objective.

Personally I feel extremely unapologetic about shifting emphasis from one to another of these variables—in the light of fresh evidence (including psychological reactions) and financial change. Second order questions remain second order.

What I do find far more embarrassing is the trebling of unemployment in the last 10 years and the apparent vindication of the warning of the Keynesian establishment that the number out of work would reach the "low millions" if we try to tackle inflation by financial means alone without an incomes policy.

For that reason, unlike the Chancellor, I would hesitate to republish my earlier attacks on incomes policy. Both having an incomes policy and not having one have represented different sorts of failure.

It is the second prong of Mr Lawson's proclaimed present attitudes which requires rethinking. That is the view he expressed in the 1984 Maitz Lecture that "we must direct macroeconomic policy to the suppression of inflation and rely on microeconomic (or supply side) policy to provide the conditions conducive to improved economic performance in terms of growth and employment."

This severance of all connection between macroeconomic policy (for example, demand management) and financial policy (growth and jobs) is a useful antidote to some of the attitudes of the 1960s and 1970s. But it goes much too far.

The financial framework of which the Chancellor spoke is meant to be an assurance against inadequate as well as excessive—and therefore inflationary—demand.

But, above all, the Maitz Lecture slogan about relying on supply side policies to provide growth does not truly represent the Chancellor's own policies. Otherwise why should he have taken advantage of last year's fall in oil and commodity prices to sanction a sterling devaluation? If he had followed the Maitz Lecture strictly, he should simply have used the opportunity to get to zero per cent inflation straight away instead of the 4 per cent we still have.

There is, moreover, no sign that Mr Lawson is looking for promotion from Chancellor to Secretary of State for Industry, where he would truly be in charge of the all important micro-policies. Nor have I heard that his economic adviser Sir Terence Burns wants to crown his Whitehall career by becoming chief economist of the Department of Employment which deals with the crucial labour market.

It may be that only West German economists can be heart and soul supply siders, as distinct from the pseudo-Reagan variety. More likely the language of the economic speeches still has to move from the arguments of the 1970s against the 1960s to the realities of the late 1980s and the remainder of the declining century.

A strategy for electricity

From Mr N. Foulsham, Sir—John Kapp (September 15) wrongly suggests that the privatisation of individual power stations is a better financial proposition than the generating system as a whole. His plain reason for excluding the nuclear stations. The late Sir Christopher Hinton said the only difference between conventional and nuclear was that the nuclear cost too much. On the basis of this authority there is no need for special treatment for nuclear stations.

Unfortunately the ideas proposed do not take into account the existing situation in the power stations. The demand is supplied by stations with generating sets of 500MW and above and these have been located in areas close to the fuel source. The basis for the development of the power stations is not the 275KV and 400KV transmission system was that it was cheaper to transmit energy in the form of high voltage electricity than to transport the fuel by rail.

The generating and transmission system forms an integral part for the efficient supply of electricity to the various users, the control of which is in the hands of load despatchers. The load despatchers have the task to ensure a reliable supply for 24 hours every day of the year, using stations in order of cost merit. This also includes the use of the cross channel cable supplies and the provision of spinning reserve capacity to allow for loss of generating plant and load estimate errors.

Technical consideration of the above will show that the various proposals by John Kapp have no practical application to the present electricity supply system in the UK even if the claim that "electricity is 20 per cent dearer than it should be" were substantiated.

If the sale of individual stations were viable then the inefficient system of the Central Electricity Board (the controlling body before nationalisation) would have to be relinquished where selected stations only would be part of the grid system.

The other proposals that the waste-heat from the existing stations could be used has no practical base, nor has the idea that existing boilers designed for coal or oil could burn refuse. The use of stations for district heating and refuse disposal requires a co-ordinated plan for whole areas where factories can use process steam and houses can use the waste-heat. As this type of socialist planning is not part of the Government's thinking, the dream of highly efficient energy production will always remain a dream. The existing redundant stations sites are more

Letters to the Editor

sited for co-generation but the case for additional generating capacity to be met in such a way is not in the plans of the generating board nor of the plant manufacturers.

Let us hope that even in the pursuit of political dogma Cecil Parkinson is prepared to listen to the many practical engineers who have the knowledge and experience to ensure that the UK will continue to have the same economical and reliable system as it has had from the nationalisation industry. Furthermore let us all hope that a privatised electricity supply industry does not become as inefficient as the privatised British Telecom.

Norman Foulsham, 12 Poplar Drive, Pyrford, Woking, Surrey.

Water companies' investors

From Mr S. Hill: In your article of September 16 you refer to the acquisition of shares in some of the statutory water companies, by French and other interests.

As director to one such company and an adviser to many others, I consider this development to be deplored. These interests will seek representation on the board of directors as they have in the case of Rickmansworth, yet their relationship will be that of contractors. Hitherto the directors of the companies have acted scrupulously in the interests of their consumers and their limited dividend shareholders, refusing to be influenced by special interests.

Let them buy shares if they wish to overpay for them, but let them have representation as directors. Stanley Wm Hill, 356, Tranquil Vale, SES.

This quaint concession

From Mr M. Freegard Sir—You can seldom have published a more perverse letter than that from Mr J. Griffith (September 7) about the exemption from CGT of gains realised from the disposal of (not, as Mr Griffith would have it, "of" increases in the value of) one's "principal residence."

Mr Griffith cites no evidence for his view that this exemption motivates young housebuyers to acquire more costly homes than they would otherwise aspire to; if (as is doubtless true) elderly homeowners often stay on in houses bigger than they need, common sense would surely

suggest that they would be less, not more, likely to "trade down" if to do so would result in a substantial tax bill. Those who acquire properties as a "hedge against inflation" and leave them empty are unlikely to be claiming these as their principal residence. As for job mobility, while house price differentials are undoubtedly a major problem, repeal of this tax exemption would be more likely to exacerbate it than resolve it; how could it be helpful, let alone equitable, for "virtuous citizens" whose employment requires them to move from a low-priced area to a high-priced one (or, for that matter, from a high-priced area to another) to be required to pay tax on a wholly illusory gain (even granted the RPI-linked inflation allowance to which they would be entitled)?

The spires of Mr Griffith's Oxford College must be dreaming indeed for him to think that the problems to which he refers could be solved as simply as he suggests.

M. J. Freegard, 15 Highgate Close, Highgate, NE.

Capitalism thinly spread

From Mr I. Walker Sir—Your leader of September 15 "Capitalism thinly spread" claims that popular capitalism will not take root until fed with "fiscal parity" with pension funds. The alternative you claim is to scrap pension fund relief. The provision of tax relief in respect of the promotion of private share ownership should, however, be viewed independently of pensions.

Pension fund tax relief is temporary. Contributions into a fund are not normally taxed and accumulations within the fund are generally tax-free but these concessions are given on the understanding that the funds will eventually be paid as pensions and these will be taxed as income. Thus tax is merely deferred until the employee receives payment of pension.

There is, however, the tax-free cash sum at retirement. This anomaly means that some of the pension fund can escape tax entirely. The continued existence and inventive use of this facility in financing house purchase serves to underline the often unforeseen consequences of tax concessions; and how difficult they can be to alter once they have become established.

The effect of tax relief is often to distort the pattern of investment and inhibit active management. Were it not for tax concessions, would employees "choose to put a solitary egg in a single basket" by subscribing to a share ownership scheme? The prospect of the recovery of tax can even be sufficient reward in itself—witness the flurry of the early asset-backed business expansion schemes.

People will buy and sell shares if they can make a profit. It is wrong to castigate former holders of British Telecom for taking their profits rather than acquiring a deeper sense of involvement in the British economy. You also raise the question of the political price to be paid should the market downturn. Investors have and will continue to have the unfettered option to sell—and buy back another day!

It is also misguided to consider the provision of tax relief as an offset to high costs of dealing. We must have confidence in the market responding to the new circumstances. The Government's role is to ensure that new firms can enter the market and meet the demands of the new small investor both as regards advice and dealing. Ian B. Walker, 40, Enismore Gardens, SW7.

Imperial measure

From Mr R. Farrell Sir—Mr Jeremy Woolf's letter (September 17) praising Imperial measures seems to show that he only sees what he wants to see.

The Imperial system of measurements is old-fashioned, outdated, illogical and very complicated to use. I think that resistance to adopting the more simple, rational, elegant and widely used metric system goes some way to explain that in many industrial fields the Anglo-Saxon world no longer competes with the metrically orientated Europe and Japan. There are many reasons for our relative technological decline and one of them is our resistance to change.

Britain is now in the worst of two worlds—neither Imperial nor metric. Most education is metric, half the food is metric, half Imperial (thanks to Mrs Thatcher's objections to proposed changes in the Weights and Measures Regulations in 1978) and most people are against metrification because it means change and its advantages and simplicity have never been explained.

Nearly 70 per cent of our trade is with Continental Europe and only 17 per cent with the US. Reviving some form of governmental commitment to going metric at least by the end of this century may herald the dawning of a new age of change. R. J. M. Farrell, Farratt Machinery, Baldmors Road, Altrincham, Cheshire.

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Gordon Cramb on
Wall Street

Amex looks abroad for fresh niches

THE AMERICAN Stock Exchange, left behind in the 1970s as a number two which didn't try harder, is aiming for new ways to regain ground.

Long overtaken in listings and volume by the Nasdaq over-the-counter market, the Amex is seeking what Mr Kenneth Leibler, its 37-year-old president, acknowledges are niches in the securities business.

Last month, for example, it linked with the European Options Exchange in Amsterdam to launch options there in its Major Market Index known as XMI, a 20-component blue chip indicator based closely on the Dow Jones industrial average.

This is being promoted as a first opportunity for trading in US equity options before the New York market opens each day.

XMI options trading started on the Amex some 4½ years ago and has grown to about 75,000 contracts a day. Equity options form one of the few areas in which the Amex is able to claim some degree of market leadership.

It has roughly a third of all US business in stock options, while among the scattering of both big board and over-the-counter stocks where options are traded on two markets, the Amex accounts for more than 90 per cent of the action.

According to Mr Leibler, this does not mean that it is slowly losing its identity as a market in ordinary shares. "We're quite balanced in terms of our commitment to options and equities," he insists.

The Amex has had some success in gaining listings this year as new issue activity in the US gathers pace. It has 129 new arrivals so far, an annual rate not seen on the exchange since 1972, the year before the Nasdaq started. By no means all companies are leaping from over-the-counter trading to the New York Stock Exchange, as was once feared.

NYSE officials point out, however, that the Amex has again this year lost a handful of its most actively traded issues - notably Wickes, the building products retailer which emerged from Chapter 11 in 1985 and spent a bare two years on the Amex before moving back to the NYSE.

For further niches, Mr Leibler is once more looking abroad. He has been talking to the Securities & Exchange Commission - and to Gary Kiesch's Quadrex Securities in London about setting up a regulated institutional market for shares in foreign companies which do not, or do not wish to, conform with SEC prospectus requirements.

When a company such as Fiat makes a second offering, he says, US institutions are precluded from direct participation. In some cases this leads to backdoor private placements, in others just frustration. The Amex's proposed market would allow securities, but not pension funds and insurance companies to subscribe for Euro-equity issues and trade the shares among themselves.

Although its membership catchment area would extend to only the few hundred largest institutions in the country, the SEC has been wary, particularly of the danger of leakage by these securities into the broader market. Still, Mr Leibler hopes for approval at least in principle by the end of the year.

The Amex's other main foreign venture has been the creation 2½ years ago of an electronic link to the Toronto Stock Exchange. This allows automated trading in about 40 Canadian stocks which are listed in both centres with an in-house currency conversion designed to ensure settlement at the best North American price. Mr Leibler says this may be extended to offer Amex-quoted stocks in the Toronto market.

The system as it exists has, however, proved unattractive to Canada's half-dozen big brokerage firms. "We've never done a trade on it," says Mr Tom Green, in charge of Canadian equity trading at Burns Fry. "It's not a liquid situation." While preferring to deal directly, he says the firm may have some benefits for smaller firms without a New York presence of their own.

The Amex has long been home in the US for Canadian mining and energy stocks, and also for American depository receipts in a few British companies which could certainly move to the NYSE if they chose.

BAT Industries has had an Amex quotation ever since Mr A. C. (Tom) Long, its finance director, can remember. "We haven't seen reason to change," he says. "We've looked at it closely a number of times, but we're not subject to all the filing requirements in the US and we don't intend to issue shares." The Amex even offers one modest advantage: BAT regularly turns up on the market's daily list of active stocks. "One has to see that in the light of the much smaller volumes on the Amex, but it's not a bad thing to keep one's name in view."

US to aim for 'very large' cuts in strategic weapons

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration's top arms control priority is to secure "very large reductions" in long-range strategic nuclear weapons now that a US-Soviet agreement on the global elimination of intermediate-range nuclear missiles is about to be reached, Mr George Shultz, US Secretary of State, said yesterday.

"The most important thing to do, I think, and the Soviets have said they think so too, is to bring about very large reductions - 50 per cent cuts in strategic arms. That is what we are going to push on now," Mr Shultz said in a television interview.

But even some Administration officials are publicly questioning whether the superpowers can achieve this goal. Others strongly believe it is not a desirable goal if its achievement requires the US to compromise on the development of the so-called Star Wars Strategic Defence Initiative.

In his weekly radio address, President Ronald Reagan said on Saturday that he expected to sign a treaty on intermediate-range forces (INF) at a summit with Mr Mikhail Gorbachev, the Soviet leader, in the autumn. Agreement in principle on an INF treaty was announced on Friday following three days of talks in Washington between Mr

Shultz and Mr Eduard Shevardnadze, the Soviet Foreign Minister.

Mr Reagan, emphasising the divisions with Moscow on strategic weapons and reassuring his conservative supporters, insisted, however, "I will not sacrifice our SDI programme."

The Soviet Union has linked progress on strategic weapons to acceptance by the US of restraints on the evolution of the SDI programme.

Mr Shultz confirmed yesterday that the US believes Moscow softened its position last week on this linkage between strategic weapons and SDI.

"We put forward two things in our discussions this past week which represented some shifting of their view," he said.

One was on the question of what the US would be permitted to do within the terms of the 1972 Anti-Ballistic Missile treaty which covers space defences. The other, he said, was the suggestion that both sides agree to abide by the traditional interpretation of the treaty during the period they agree to abide by it.

Reaction to the Administration's announcement of what is widely seen as Mr Reagan's first clear-cut foreign policy success has been predictably mixed although on one thing there is widespread agreement, namely that a popular arms control accord will help to revive Mr Reagan's political prestige.

The Administration's decision to emphasise strategic arms as the next goal seems designed in part to capitalise on this by providing the President with an arms control agenda for a period after the INF accord is signed.

"This probably slows down the process of lame duckism," remarked Senator Carl Levin, a Michigan Democrat, referring to the erosion of authority a president suffers as he nears the end of his term.

There are differing views on the domestic, political and security implications of last week's moves, particularly on the question of strategic arms.

The Democrats will find it harder to attack Mr Reagan as a man who cannot deal with Moscow, while Mr Reagan can claim success for his tough negotiating stance with the Soviet Union.

On London yesterday, Sir Geoffrey Howe, the Foreign Secretary, stressed British and French determination to continue to maintain and modernise their independent nuclear deterrents, despite the US-Soviet accord.

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Eurotunnel consortium criticises contractors over delays

By Andrew Taylor in London

EUROTUNNEL, the Anglo-French Channel tunnel consortium, which plans a crucial £700m (£1.5bn) international share issue in November, has strongly criticised the project's contractors for delays, inefficiency and failure to comply with contract obligations.

Mr Durand-Rival is to take over from Mr Jean-Loup Dherse, Eurotunnel's chief executive, who next month joins the Vatican as executive secretary to the Synod of Bishops in Rome.

Mr Durand-Rival's letter was sent to Mr Andrew McDowall, chairman of Transmanche Link (TML), a consortium of five British and five French contractors appointed last year to build the tunnel.

It complains of slippage in the construction timetable, delays in producing rolling stock designs, a total lack of financial information and a lack of proper cost procedures.

"Orders for design and approvals for design are requested without any reference to any budget," says the letter. The publication of its contents is embarrassing to Eurotunnel, which is due to complete its funding arrangements in two months' time.

Mr Alastair Morton, the British joint chairman of Eurotunnel, was last night due to fly to New York as part of the marketing campaign for the autumn share issue.

The consortium is understood to have informed the British authorities that it wants the issue to take place on or around November 18. The outcome is crucial to the consortium's plans to raise almost £500m from loans, standby credits and the sale of shares.

Underwriting agreements for £50m of loans and credits, concluded last month with 50 international banks, will not be operational until the share issue.

Britain's share of the offer is likely to be about £300m. The consortium expects private investors to play an important role in the British issue. It will be the first time that members of the public will have had an opportunity to buy shares in the project.

Renault last month, it is now understood to be reconsidering the details of the operation in the face of the Peugeot opposition. Indeed, the Government itself appears split with Mr Edouard Balladur, the Finance Minister, adopting a more cautious and hesitant approach to the Renault recapitalisation and Mr Alain Madelin, the Industry Minister, spearheading the Renault plan.

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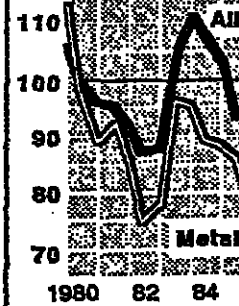
THE LEX COLUMN

Turning lead into gold

Commodity Prices

Economist Indices in SDP

Terms, 1980=100



he fat has probably been cut out of the world mining industry by now.

Even so, it would be dangerous to assume from the above that commodity prices are soon going to match the performance of equity prices over the past five years. The recent price surge is probably no more than part of a long overdue correction, and in the short-term at least the undoubted change in market sentiment may be causing speculative excesses. It is too early to say that the commodity markets are signalling the long-feared switch away from financial assets, and in terms of general inflation it is sluggish growth in industrial production in the OECD countries. It is also true that the stock consumption ratios of several key commodities, notably aluminium and copper, are at their lowest level for many years. This has been blamed on a combination of high real interest rates and the increasing sophistication of stock control measures of major customers which allows them to live comfortably with much lower stock levels. This is changing, though, and the sight of commodity prices roaring ahead is forcing an increasing number of customers to rethink their stock strategy, thereby in turn increasing demand. The final factor is that the scale of the cuts in production capacity during the savage recession of the 1980s may have been underestimated. Admittedly, there is a substantial amount of new gold and copper mining capacity scheduled to come on stream over the next few years, but in sectors such as aluminium this is not the case. Meanwhile, there are signs that organised labour, in particular in Canada and Australia, is becoming increasingly resistant to further cost-cutting measures. Most of

Every form of exotic stock market investment has its scars, ready to pass on chilling tales of disappearing value. Third World and emerging market funds are no exception. And last month's near-30 per cent slump in the Philippines market might stand as a warning against investment fads. But for every such correction there has usually been a compensating surge. Mexico, for example, has risen 538 per cent in peso terms (290 per cent in dollars) since the beginning of 1987. And the International Finance Corporation calculates that three of the leading emerging markets - India, Korea and Chile - have outperformed the international indices since 1975, with as many as eight managing it before the debt crisis.

Following the latest wave of outperformance by several emerging markets, and mindful of the dangers of single country concentration, three global emerging market funds have recently been established by

Templeton, Gartmore and Municipal Life Assurance. Gartmore's has 90 holdings in 22 countries - more diverse than the average international fund - and was thus able to ride its Philippines exposure. But although the fund has grown by 38 per cent in seven months it is too early to form a judgment on the risk/reward balance in these general funds.

Many of the old difficulties are easing but have not disappeared: low liquidity, poor information, currency and political risk, and the frequent need to pass through two sets of fund managers. Similarly, the reasons that have always attracted pioneering investors to seek out value in faraway places are stronger than ever thanks to spiralling valuations in first world markets. In the same way that small companies often outperform larger ones, so the growth potential of smaller markets tends to be above average. Some of the South-East Asian Newly Industrialising Countries have certainly rewarded their supporters generously. Several have added the advantage of being inefficient and underfunded markets, providing an edge to professional investors with instant access to world statistics.

Yet some things clearly have changed over the past few years which are helping to contain traditional risks and make equity investment in the developing world less of a venture capital punt. There has been a sea-change in attitudes to the private sector; the shift in manufacturing to low labour cost economies is no passing fad; and neither is the drying up of bank lending, which has forced countries to look for other forms of capital.

The new confidence is exemplified by the Thornton debt-equity swap fund in the Philippines, which transfers risk to a banking sector, which should never have taken it on, to equity investors who are expected to shoulder higher risks and can, in any case, spread them wider. Although there have been difficulties launching this small (£20m) fund, others are busy following it. It will not solve the problems of developing countries, but in the Philippines case the banks have been happy enough to sell their sovereign debt at a 35 per cent discount to dollar value. This debt is then converted into the peso at the full value of the original loan and subsequently invested in domestic equities. The only snag is the central bank takes a 5 per cent cut, a commission that might turn even western investment bankers a little green.

Suez sets tight limit on foreign tranche of privatisation offer

BY GEORGE GRAHAM IN PARIS

COMPAGNIE FINANCIERE de Suez, the French banking and investment group which is to be privatised next month, is expected to limit the international tranche of its share offering to only about FF2.2bn (£330m), well short of potential demand from foreign investors.

The group has already received commitments from a number of overseas fund managers promising to hold on to any shares they receive for at least six months, and it hopes to be able to place the whole international offering in stable hands.

Earlier French privatisations, focused on domestic small shareholders, have also left overseas demand largely unsatisfied, but in some cases foreign fund managers have quickly sold their shares back into the market.

Paris equity dealers indicated last week, for example, that they were now seeing a flow-back of shares in Paribas, the investment banking group which was privatised in January but which last month carried out a large capital increase aimed mainly at international investors.

The Suez group is valued at FF2.2bn to FF2.4bn, and a simultaneous capital increase of between 5 and 15 per cent - still to be decided - is also planned.

France's privatisation law limits the international offering to a maximum of 20 per cent, but in the case of Suez the tranche must be further reduced.

The hard core of long-term shareholders selected ahead of the public offering by the Finance Ministry will be larger than usual, about 30 per cent of Suez's capital, and a third of this is expected to be allotted to foreign groups.

Foreigners also hold an estimated 10 to 20 per cent of Suez's non-voting preferred certificates of investment, further reducing the amount of equity available for the general international tranche.

Banque Indosuez, the group's main banking arm, is lead manager for the international offering. Co-lead managers in five

geographical zones - Credit Suisse in Switzerland, Deutsche Bank in West Germany, Warburg in the UK, Salomon in the US and Daiwa in Japan - will place about 55 per cent of the international offering.

Suez is the first French privatisation to have a private placement in Japan, an important area for Suez because of its Middle Eastern links, but also including Scandinavia and the Benelux countries, will receive about 45 per cent, co-led by Banque Nationale de Paris, which is also adviser to the French Government.

Mr Jean-Marie Laporte, head of international equities at Indosuez, said he expected standard lines to be of FF30m to FF40m, or less for the predominant non-voting preferred certificates of investment in Switzerland and Benelux.

Participating banks can be called on for up to 30 per cent of the amount they have underwritten in the first month, up to 20 per cent in the next two months and up to 10 per cent for another three months.

Pearson breaks with Warburg

BY MARTIN DICKSON IN LONDON

PEARSON, the diversified UK information, banking and industrial group, has parted company with S.G. Warburg, the merchant bank, which it had lined up to act as financial adviser in the event of a bid for the group.

Pearson, which owns the Financial Times, took the initiative to end the relationship with Warburg's corporate finance department during the summer.

Warburg's securities trading side acted last April for Mr Carlo de Benedetti, the Italian businessman, when he acquired a 4.9 per cent stake in Pearson from Hutchinson Whampoa, the Hong Kong trading group.

Warburg holds a 1.5 per cent stake in Cofide, Mr de Benedetti's Italian master holding company, which has a 1.7 per cent stake in Warburg.

For nearly three weeks after the stake purchase, Mr de Benedetti kept it secret that he was the buyer - which caused embarrassment at Pearson. At the company's annual meeting, Lord Blakenham, the chairman, was unable to tell shareholders who was the new investor.

Pearson has since welcomed Mr de Benedetti as a shareholder, but has evidently decided, because of Warburg's dual role in the affair, it would prefer to be with another merchant bank.

Mr James Joll, Pearson's finance director, yesterday confirmed that there had been a "parting of the ways with Warburg and we are in the process of appointing a new financial adviser" and reiterated that the Calvet was understood to have suggested an alternative to the Government to make the eventual Renault recapitalisation more equitable for Peugeot. He has suggested that if the Government goes ahead with its plan, it should consider compensation for Peugeot by shedding the private car group Renault's 50 per cent stake in La Française de Mécanique, an important joint venture in northern France between Renault and Peugeot.

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Peugeot chief threatens to resign

Continued from Page 1

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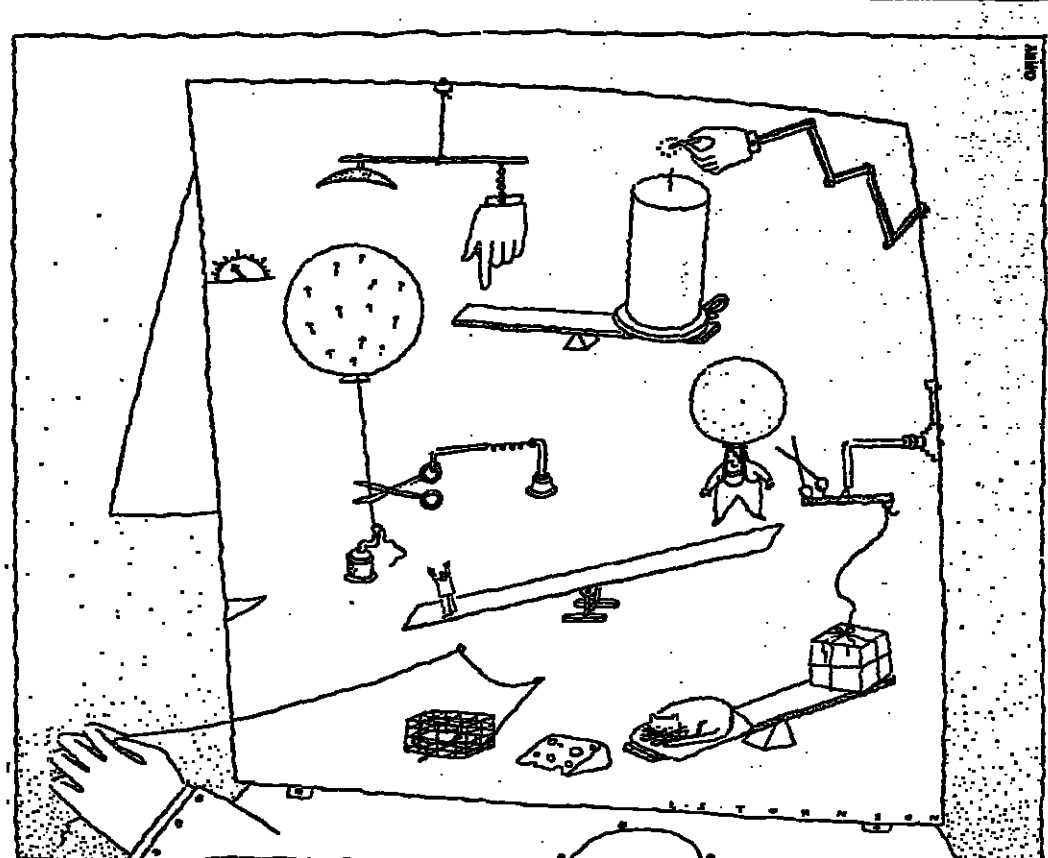
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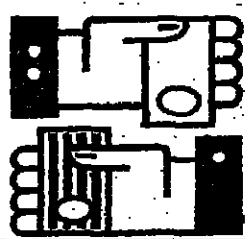
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SECTION III

FINANCIAL TIMES
SURVEY

The stresses of Big Bang are apparent and the picture may at first look grim. But Banking Editor David Lascelles

diagnoses many of the symptoms as the encouraging signs of adjustment to an invigorated climate by an industry that is fitter than it has been for decades.

Through the pain barrier

ON THE face of it, UK banking seems to be going through a pretty rough patch. Three of the Big Four clearing banks have just reported the first losses ever recorded by the top names of a business where the mere mention of red ink can cause severe nervous disorders.

The stresses of last year's Big Bang are showing through: heavy costs, upheavals, uncertainty, intense competition - all are taking their toll on management and financial accounts. The Guinness affair earlier this year also raised doubts about the probity of some quarters of the merchant banking business.

Those who believe in the sanctity of British banking were disturbed this summer when a clearing bank (Clydesdale) was for the first time bought by foreigners (National Australia Bank), and a leading merchant bank (Hill Samuel) almost became the first accepting house to pass into foreign hands (Union Bank of Switzerland).

Add in a monopoly inquiry into the banks' credit card charging practices, and dire warnings from the Bank of England about burgeoning consumer debt, and the picture could hardly look more grim.

Yet the truth of it is that the UK banking industry is probably in fitter shape today than it has been at any time for de-

cadence. And this is a view with which the majority of bank executives would concur.

This apparent contradiction is best explained by the fact that many of the symptoms which point to sickness and stress in banking are, in fact, encouraging signs of the profound adjustment which banks are making to a much invigorated environment. Rather like people jogging to get fit, there is a lot of pain on the way, and there may even be a heart attack. But the result should be better health.

The poor interim results that hit the headlines in July and August were typical of this. The bulk of the losses reported by the clearers were due to the heavy provisions (totalling nearly £1.5bn) which UK banks were forced to make against their Third World loans in order to match similar action by the Americans. It was a belated move, which was criticised as inadequate in some quarters. But it means that UK banks are now in a position to absorb losses of 25-30 per cent of the value of those loans at a time when the whole debt issue has taken a turn for the worse. Far from undermining confidence in UK banks, the resulting losses totalling £1.5bn were viewed by the City as highly positive. Fortunately for the UK

banks, the Americans had shown the way.

Another factor in the poor results was the cost of Big Bang. Nearly 12 months after that great event, a clearer picture of its impact is just beginning to emerge. So far as the clearing banks are concerned, it has been an enormously expensive affair. The cost of acquiring stock exchange firms and setting up their new investment banking operations has been of the order of £200m, and the results are widely divergent.

Barclays, which plunged in the deep end by buying two large firms and welding them together into Barclays de Zoete Wedd, seems to have come off best. The combination of BZW's large size and the relatively smooth merger of its parts has produced a major force in the markets, and enabled it to win some good corporate clients. After losing £19m in the second

UK Banking



The Bank of England has given dire warnings about burgeoning consumer debt

The top UK banks: 1986

World ranking	Assets	Capital	Pre-tax profits
17 National Westminster	122,862	6,806	1,491
18 Barclays	116,380	5,483	1,319
34 Midland	78,397	2,980	640
44 Lloyds	70,523	4,049	1,032
73 Standard Chartered	47,514	1,909	374
116 Royal Bank of Scotland	24,472	1,413	272
150 TSB Group	18,950	2,179	295
193 Bank of Scotland	14,429	863	183
216 Kleinwort	13,024	538	116
306 Morgan Grenfell	8,141	547	121
353 Gurnard & National	6,704	148	...
435 Scandinavian	4,875	186	39
441 Societe Internationale	4,758	209	26
458 S. G. Warburg	4,438	340	...
463 Hambros	4,350	294	...
496 HSBC	3,783	254	...
498 Schroders	3,747	326	...
Total	547,257	28,527	5,908

Source: The Banker

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the Yorkshire Bank and the newly independent Trustee Savings Bank.

Much of this can be traced to the strength of credit demand in the UK, particularly in the personal sector. Despite all the talk of competition among banks and the newly deregulated building societies, lending margins remain high enough for the Monopolies and Mergers Commission to warrant an investigation of credit card charging practices. The booming housing sector has also produced record demand for mortgages.

These highly profitable operations, backed by the new aggressiveness which banks are putting into their high street operations, could, however, contain the seeds of future difficulties. With the level of personal debt also hitting record heights, concern is being voiced increasingly about the prudence of bank lending policies. Mr Brian Quinn, the head of supervision at the Bank of England, recently warned that banks were "deluding themselves" if they imagined that these policies were not being relaxed.

The Bank has acquired stronger supervisory powers as a result of the new Banking Act which comes into full force at the beginning of next month. But its accountability to the Treasury for the prudent conduct of the banking industry has also been strengthened, which may account for some of its growing anxiety about the rate of lending, regardless of whatever inflationary dangers it also sees lurking there.

If speculation about a possible foreign acquisition of a UK bank does result in a bid, the Bank will also be forced to disclose its latest thinking on the control of British banking. The Clydesdale and Hill Samuel incidents showed that there is no longer any outright bar on foreign ownership.

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INSTITUTIONS

UK BANKING 2

Clearing banks

New strengths and a ticket to the City's turf

BRITAIN'S CLEARING banks - long considered to be among the more staid creatures on the UK financial scene - are living through exciting times, possibly more exciting than some of them might have wished.

Big Bang, deregulation, technological progress, the fast-changing rule of banks, all are reshaping the industry. But far from undermining their traditional dominance of the finance business, as many had predicted, the great changes and upheavals of the last year or so may even have strengthened the position of the clearing banks at the centre of the UK financial system.

The Big Bang is responsible for much of this: it has given banks the opportunity to enter turf that traditionally belonged to the City, such as stockbroking and investment banking. They have done so with varying degrees of success, but they are now much more prominent in the City than they were only a couple of years ago. Mounting competition from new quarters, particularly the newly de-regulated building societies, has also highlighted the enormously strong position which the clearing banks occupy in the high street, and has shown them determined to fight to preserve it.

The changing character of the clearing banks comes through strongly in the people who run them - and three of the Big Four have acquired new chief executives since last year. At NatWest, the UK's largest clearing bank, the chief is Mr Tom Frost, a firm believer in the need for efficient marketing, and a strong international presence for banks. "People cannot say to us 'move over' because we won't," he says. He can afford to be forceful. Managed with a well-balanced mix of aggression and caution, NatWest has emerged as the UK banking industry's great success story. It earns more money than any other bank in the world except Citicorp of the US, which is half as big again.

A more outgoing style is also emerging at Barclays, where Mr John Quinton has recently moved into the executive chairman's office with the message that Barclays people must go out and sell, and that bankers

must take a high profile to win their business. At Midland, Sir Kit McMahon has attacked the bank's serious problems, which stemmed from the Crocker acquisition and Third World debt, by ruthlessly cutting back or selling non-essential businesses, and trying to focus the group on worthwhile markets.

Lloyds, too, under its chief executive Mr Brian Pitman, applies strict profitability measures and has not been afraid to pull out of markets where the returns are below standard even if this means beating what others see as humiliating retreats, from the gilt-edged market, for example.

But though the clearing banks are showing a new level of determination, they have been helped by some of the most favourable business conditions for very many years. The credit boom in the UK has fuelled a strong rise in profits which has helped tide the clearing banks over bumpy patches, while the long-lasting bull market on the stock exchange has justified the heavy outlays they incurred in preparing for last year's Big Bang - which probably totalled over £300m in acquisition and start-up costs.

At the same time, a combination of more sophisticated and aggressive marketing in the high street has enabled the banks to hold on to, if not actually increase, their share of consumer deposits, and gain a healthy slice of personal and mortgage lending. This has also been costly: the banks have to pay higher interest to attract deposits, but they have also been able to hold lending rates high - so successfully, in fact, that their credit card charging practices are now being officially investigated.

The banks were further spurred by the flotation last year of the Trustee Savings Bank and the F&P which is its eye-catching marketing campaign have given to competition. The prospect of the flotation in the years ahead of the National Girobank suggests this process will continue.

While the Big Bang marked a major phase in the diversification of banks away from their traditional high street business, other changes have occurred as



Contrasting styles: Mr John Quinton (left), of Barclays, and Mr Tom Frost, of NatWest



Clearing bank profits

(£m pre-tax)

	1986	1987 Interim
Barclays	895	(40)
Lloyds	700	(697)
Midland	484	(665)*
NatWest	1011	251
Standard Chartered	254	(224)
TSS	206	132

*Including effect of £10m LDC debt provision which was carried as an extraordinary item.

well. The clearing banks are now engaging in an ever widening range of activities, including estate agency, insurance broking, life assurance, fund management, travel services, and stockbroking. The TSS, with £1.5bn to spend from its flotation proceeds, has launched into insurance, by buying the Target Group, and made a thwarted effort to enter the travel agency business by bidding for Hogg Robinson. Since it already engaged in businesses like car rentals, it is the most diversified of the big high street banking names.

None of the banks has yet welded the activities together into the much-forecast financial supermarket, and it may be some time before they do because of the scepticism that still exists about this approach. However, the broad trend is clear: the clearing banks are becoming the dominant creatures in the UK financial services business.

The process of change has also created greater differentiation among the banks. Although the basic high street banking services which they provide differ only in detail, the markets which the various banks have chosen to enter, and the way they approach them, vary widely. Managing a bank in the old

days was largely a matter of running a sound balance sheet. Now that is only part of the job: today's bank chief faces complex choices of strategy.

It is no longer strictly accurate to talk about the Big Four: NatWest and Barclays are now not only very much larger than the other two, Lloyds and Midland; they have also shown a much stronger commitment to investment banking since Big Bang, and they nurse major ambitions in the global capital markets with their new offshoots, respectively County NatWest and Barclays de Zoete Wedd (CZWW). If this trend continues it will most likely result in NatWest and Barclays becoming the only two clearing banks of world standing. The others would be relatively smaller and more specialised.

However, Lloyds Bank may yet make a great leap forward through acquisition, either by renewing its bid for Standard Chartered, the London-based international bank, or by buying an investment banking business. Lloyds has a reputation as a strong, well-run bank, but its relatively small size remains a handicap in a market with such powerful competitors.

Despite Sir Kit's surgery, Midland's prospects remain hard to assess. There is a widely held belief in the business that the group will be bought by a foreign bank seeking access to the UK market, or may even merge with one of the other clearing banks.

There is a determination in Midland to remain independent, but it can no longer count on much help from Threadneedle Street. Although the Bank of England has never said so in so many words, it would now have little power or reason to stop a large UK clearer from passing into different ownership, so long as it was respectable.

David Lascell

Merchant banks

Thrive, merge or specialise

SURVIVAL HAS long been the name of the game for the City's merchant banks, but seldom more so than now. The stresses of a fast-changing world are rapidly sorting them out into those which are likely to thrive in the new environment, and those who may have to merge for strength or retreat into specialisation.

This message came over vividly during the (eventually abortive) acquisition talks between Union Bank of Switzerland and Hill Samuel in August. Hill Samuel, which is a leading though not top ranking name in the business, needed a powerful partner to make headway, according to its chairman Sir Robert Clark, or else it would just be a matter of "slogging on".

For the City's fifth largest merchant bank, with a net worth of some £200m, to contemplate sacrificing its independence was indeed a sign of the times. But there are at least two reasons for it.

One is that London's deregulated marketplace, post-Big Bang, now pits the merchant banks directly against much stronger foreign competition, particularly from North America and the Far East. Though also from the merchant banking subsidiaries of the UK clearing banks who can count on powerful parental backing. Although the merchant banks' local connections with UK industry are formidable, they cannot be counted on to win business as before.

The second is that Big Bang has hastened the replacement of the UK's time-honoured methods of corporate finance with US-style investment banking. Where previously merchant banks lived by their wits and left underwriters to put their capital at risk, they will now have to do the whole job themselves. Merchant banks need much more capital to conduct their business.

Mr John Craven, the new chief

executive of Morgan Grenfell, said: "The whole practice is going to change, and I don't think people realise it yet. Groups like us are going to have to bear more risk."

The strain of adjustment has shown through in the merchant banks' accounts where profits are being squeezed by heavy development costs and the sky-high salaries now commanded in the City. S G Warburg, widely viewed as one of the most successful UK merchant banking groups, has made particular efforts to secure an independent future for itself. Apart from building up one of the largest UK-based international investment banking operations, it has added substantially to its capital in recent months by floating off part of its fund management side, and making a rights issue. With a book value of \$870m, it can now measure itself against the smaller of the leading Wall Street firms (First Boston, for example, is worth \$700m). This makes it even more likely that other leading UK houses, like Kleinwort Benson and Schroders, will also have to work hard to ensure their place in the race. But there are many seeds in the City who doubt whether, in the long run, more than one or two of the larger UK merchant banks can hope to realise big ambitions on their own.

The reasoning changes further down the size scale. Smaller merchant banks are rapidly coming to terms with the changing market place and have adopted new strategies to cope. The two favourite paths are specialisation, and the formation of alliances with other banks or friendly shareholders.

Lazard's has concentrated on giving advice rather than hiring out its capital, and seems comfortable under the parentage of the Pearson group. Barings, still privately owned, believes it can get enough capital to flourish.

So, too, apparently can private-owned Rothschilds and Robert Fleming. All these banks, particularly Flemings, have sizeable operations overseas.

Hambros is pursuing a highly individualistic route which includes banking and estate agency, and is built on a growing set of alliances with friendly European banks. Brown Shipley, also, has sought large friendly shareholders to protect it from predators. Henry Ansbacher has several shareholders, headed by the Groupe Bruxelles Lambert.

One tiny merchant bank, Singer and Friedlander, has even

Merchant bank results

Profits On	1986/87	1987/88
Hambros	43.4	60.5
HSBC	61.3	61.8
Kleinwort Benson	60.3	78.5
Morgan Grenfell	68.8	82.2
Schroders	29.2	72.2
S.G. Warburg Group	91.8	98

Notes: All figures pre-tax except Schroders which are post-tax.

backed the trend by breaking free from its parent, British Arrow, and re-establishing itself as an independent bank. Mr Anthony Solomon, the chairman, believes he can succeed with a clear, specialist strategy.

The grass roots of the business is also flourishing. Virtually every month there is news of some new merchant banking operation, often set up by departing senior executives from large groups keen to run their own business. British & Commonwealth, the rapidly emerging financial services group under Mr John Gunn, has also set its sights on investment banking.

All this means that the question of who controls UK merchant banking has become a lively one. Warburg fought long and hard to shake off Mr Saul Steinberg, the US corporate

raider who built up a 14 per cent stake. Warburg was worried that Mr Steinberg's presence would frighten away business.

Since then, the idea that merchant banks are "in play" has attracted many speculators to their shares, particularly from Australia, which has been settling. In the case of Guinness Peat, which includes the accepting house Guinness Mahon, this resulted in a £240m hostile takeover bid by Equicorp of New Zealand.

Yet, as has been noted, several merchant banks have welcomed large stakes taken by seemingly more benevolent institutions, reckoning that it is worth sacrificing a bit of independence for the sake of some stability.

Merchant bankers made no secret of their concern about the ownership provision of the new Banking Act, because they feared it would reduce the measure of protection which they have traditionally expected from the Bank of England or Whitehall. Their lobbying succeeded in producing a surprise tightening of controls over bank shareholders.

But generally, parliament was unwilling to grant merchant banks any special privileges, particularly in the wake of the Guinness scandal. As a result, there is little that the UK authorities can do under the new Act to prevent someone acquiring a controlling stake in a bank so long as he is "fit and proper", other than by individualising some form of blanket political protectionism.

In recognition of this new reality, the Accepting Houses Committee, which acts as the merchant banks' trade group, is in the process of reviewing its strict membership rules. In the past only independent banks could belong. But now it is likely that foreign owned banks will be admitted too.

David Lascell

Building societies

Main challenge on the home front

THE FIRST 10 months experience of last year's Building Societies Act, which came into force at the beginning of this year, have been rather patchy.

The Act was billed as a major liberalisation of a cosseted and traditional industry, which would benefit the consumer by injecting competition into areas previously the preserve of banks, estate agents or other financial services companies. Societies were to be allowed to offer their customers banking, housing and investment services.

However, as a consequence of caution on the part of the societies, conservative supervision on the part of the Building Societies Commission and defects in the original drafting of the Act, much that was promised or hoped for has failed to materialise.

The most obvious impact of the Act has been on the estate agency market. Estate agents are the first point of contact for prospective buyers, and have increasingly used this position to arrange mortgages for their customers, collecting commissions on the way.

Many societies have been so afraid of losing business in this way that they have gone into the market and bought up networks of agents. Even those, like Abbey National and Woolwich (the second and fourth largest societies), which last year talked at the idea of buying estate agents because of the large amount of goodwill they would have had to write off, have now modified their line.

Nationwide Anglia (number three in the industry) has the largest network of estate agents with 400 branches; Halifax (number one) has 225; Leeds (number five) has 48; and Abbey has about 50, though it plans to expand the network to 600 over the next two years by a mixture of acquisition and franchising.

The progress in offering banking services has been more varied. The most imaginative product of the year is probably Nationwide's "FlexiAccount". This is the first mass-market interest-paying current account to be on offer in Britain and could potentially hurt banks very badly, as they are used to the "endowment effect" of not having to pay interest on current accounts. Nationwide's claim: FlexiAccount has been a great success, though it refuses to give out details.

On credit cards and electronic cashless shopping societies have been hampered by errors in the Act. The Government had intended them to be able to take part in both areas, but lawyers at the commission discovered they did not have the power to do it.

This error in the Act is now to be resolved. Both Halifax and Abbey are going to apply for membership of Visa or Mastercard - the two main credit card companies - and also expect to be members of EPOS UK, the company developing electronic cashless shopping in Britain.

In other areas of banking, there has been some progress, but only by the largest societies. Halifax and Abbey became the first non-banks to join the clearing system when they were admitted to membership of the Association of Payment and Clearing Services earlier this year. Abbey has also started making personal loans and ex-

pects to have lent £100m in this way by the end of the year.

From housing investment services, the experience again has been patchy. National & Provincial, Nationwide, Cheltenham & Gloucester and Bristol & West have all signed deals with stockbrokers to buy and sell shares through their branches in order to capitalise on the interest in shares that has been sparked off by the Government's privatisation issues and the rise in the equity market.

It remains to be seen, however, how much these societies are prepared to invest in pushing sharedealing, especially as the more money that is funnelled into the stock market the less there will be to put on deposit with a building society. National & Provincial, in particular, is unhappy that last year's Act did not give it the power to buy part or the whole of a broker. This would have justified investing larger sums of money in wider shareownership.

But it is not just the Building Societies Act that has restricted societies. One of the most important regulatory changes has been the polarisation rule, covering the sale of unit trusts, pensions and life assurance, devised by the Securities and Investment Board, the new financial services watchdog.

As a consequence, most societies have decided to become independent brokers giving advice on the whole range of products available in the market. But one concern is whether they will be able to train up their staff to give sufficiently good advice on personal pensions when these become readily available next year. Another is whether societies will be allowed to sell deposit-based pensions at all, because of another error in drafting the Building Societies Act.

Polarisation has also divided the retail financial services industry, with Abbey choosing not to become an independent broker but to sell the life, unit trust and pension products of only Friends Provident, the mutual life company. In doing this, Abbey is taking a similar line to the large clearing banks; but the decision has been criticised by those who think societies, as mutual institutions, should give their customers best advice, not try and earn the greatest profits from them.

The last year has also seen a dramatic change in building societies' fortunes in the mortgage market. Whereas previously they accounted for about 75 per cent of all home loans in Britain, they made just over half of all net mortgage lending in the second quarter of 1987. Banks and new specialist mortgage lenders have both in-

creased their market shares drastically. From Bank of Scotland, the reason for this change is partly more aggressive marketing by the banks and new lenders, but it is mainly the consequence of societies' not being allowed to raise more than 20 per cent of their funds from wholesale financial markets.

Competition for retail deposits - intensified by the pull of the stock market for small investors - has meant that many societies are securing the funds and have therefore been acting rather meekly.

Not surprisingly, pressure is being exerted on the government to raise this limit, and so-

cieties are reasonably confident of a new maximum of 30 per cent. They argue that their competitors are not subject to any such restriction at all.

As 1988 approaches, the future structure of the industry is uncertain. Further mergers of small and not so small societies (witness Anglia's record £17m merger with Nationwide this month) to form larger groups better able to withstand competition can be expected. But what will the largest societies do?

Much depends on the commission and the Government. The commission has already taken the first tentative steps to a more flexible approach to regulating societies, but it still has a long way to go. The Government, for its part, will have to decide whether a completely new act, which takes away the remaining restrictions under which societies operate and allows genuine free competition in the retail financial services industry, is needed.

If the commission and the Government are flexible, the largest societies will continue to work within the system. If not, they may take the only other option and become banks - as they will be allowed to from next year.

Hugo D'Amico

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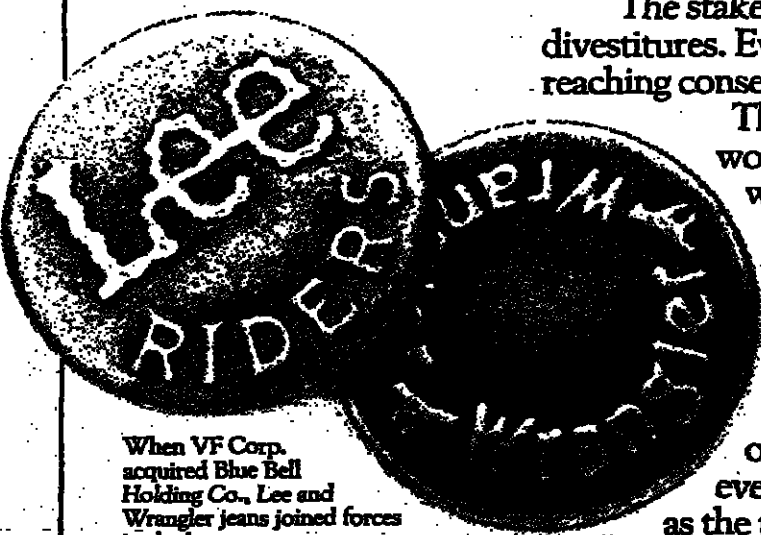
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Regulator to the robust

A chance to move in on the stock market

LONDON'S ATTRACTIONS to foreign banks as an international financial centre, already powerful, have been further strengthened as a result of Big Bang. But the pattern of development has also changed. Instead of the money market, currency lending, which provided the early post-war boost to the City's foreign bank community, attention is now focused on the capital markets.

The main reason for this is the opportunity afforded by the changes associated with Big Bang for banks to move in on the stock market. The opening has been met with enthusiasm, and it is true that one recent planned takeover, of merchant bank Hill Samuel by Union Bank of Switzerland, fell through. But banks and financiers from all over the world have moved vigorously into the capital markets area.

Acquisitions of stock market and other financial services

Other foreign banks have, with equal enthusiasm, built up their own capital markets teams, often setting up separate subsidiaries. This has been incidentally contributing substantially to the inflation of salaries in the City. And there has been a clear trend for London to gain in relative importance as the third leg with New York and Tokyo in the world's financial triad. There has been some reverse flow - Credit Commercial de France moved its dealing and arbitrage team back to Paris, but the movement has normally been in the other direction.

Other European centres have their importance - Switzerland, Luxembourg particularly in private banking - but Paris has never really achieved the position of the City as an international centre, and West Germany lacks the cohesion of markets characteristic of London.

Recent moves have highlighted London's magnetism; for example, Banque Nationale de Paris brought its operations to the City, with plans to build BNPF Capital Markets up to around 100 people; Deutsche Bank switched its Eurobond business to London; and Volksbank upgraded its London operation to full branch status, and moved its capital markets trading in from Luxembourg.

As well as changes relating

London's foreign banking community

Year	Directly represented*	Indirectly represented†	Total
1967	114	—	114
1968	135	—	135
1969	138	—	138
1970	163	—	163
1971	176	25	201
1972	215	28	243
1973	232	35	267
1974	264	72	336
1975	283	72	355
1976	285	78	363
1977	300	55	355
1978	313	69	382
1979	330	59	389
1980	353	50	403
1981	353	65	418
1982	379	70	449
1983	381	69	450
1984	403	67	470
1985	399	64	463
1986	400	47	447

Source: The Banker, November 1986.

Foreign banks; top employers

	Employees In London 4,500 ¹	Elsewhere NA	Total 4,500
Citibank			
Bank of Credit and Commerce International	2,331	159	2,490
Chase Manhattan	2,480 ²	NA	2,480
Australia and New Zealand Banking Group	1,976 ²	—	1,976
Bank of America	1,300 ⁴	125	1,425
Manufacturers Hanover	1,250 ⁵	3	1,253
Hongkong and Shanghai	1,150 ⁶	NA	1,150
Morgan Guaranty	1,150	—	1,150
Chemical Bank	618 ⁷	294 ⁸	912
Bankers Trust	800 ⁹	—	800
Royal Bank of Canada	784 ¹⁰	—	784
Swiss Bank Corporation	740 ¹¹	5	745
Credit Suisse First Boston	580	—	580
First Chicago	550	—	550
Westpac	514	19	533
Canadian Imperial Bank of Commerce	525	—	525
American Express Bank	300	160 ¹²	460
Banque Nationale de Paris	427	12	439
Bank of Montreal	400	—	400
Continental Illinois	400	—	386

- *Includes Citicorp Investment Bank and 1,000 of Citicorp Savings.
- *Includes Citicorp Manhattan and Citicorp Securities offices.
- *Includes Citicredit Bank and ANZ Merchant Bank.
- *Included Bank of America Ltd. Also BankAmerica Finance (this year sold to Bank of Ireland).
- *Includes Manufacturers Hanover Ltd.
- *Includes British Bank of International Finance Ltd. and Hongkong Bank Ltd.
- *Includes Chemical Bank International.
- *Includes operations centered in Cardiff.
- *Includes Barclays Trust International.
- *Includes Orion Royal Bank.
- *Includes Swiss Bank Corporation International.
- *Operations centre in Ploče.

years of a marked slowdown in the numbers of new foreign banks arriving. There were 114 foreign banks represented in London 20 years ago, whether through branches, representative offices or subsidiaries. A surge of growth in the early 1970s, when US banks in particular were attracted by the Euro-currency markets, took the

number to 233 in 1973. By 1980, after a number of years of stagnation, the number had reached 353. Since then, the population has grown more slowly.

In the past couple of years, however, it has become more or less stable at around 400. This reflects a number of withdrawals as well as arrivals. They include, of course, the "new arrivals" which, after reassessing its policy, decided to concentrate on its Pacific rim outlook. And the newcomers have included a number of people from less developed countries or from among the ranks of more specialised banks - such as France's biggest bank, Credi Ag, which has recently begun to break out of their traditional French base into international banking.

Last year, for example, *The Banker* list showed 19 new names, of which 16 were as representative offices. Two each were from Japan (Nippon Trust & Banking and Hyogo Sogo

Bank- and Saudi Arabia Arab National Bank and Saudi British Bank. These banks came into a wide spread of countries: Denmark, Finland, Greece, Switzerland, Spain, Venezuela, Austria, the US, Gibraltar, Luxembourg and France. Overseas branches include one branch and two subsidiaries.

It is not surprising that the inflow has slowed down. Virtually all the top banks like to have aspirations to no more than a few branches. Overseas are already in London in one way or another, either with direct representation or with a stake in one or other of the consortium groups. Yet growth continues.

In particular, the number of foreign-owned banks in London has been swollen by the Bank of England's granting of banking licences to two of the top four Japanese securities houses, Nomura and Daiwa; the other two, Nippon and Sanwa, are expected to follow as part of a deal with the Japanese authorities on reciprocal access to markets.

Michael Blandon
The Banker

Electronics

Eftpos becomes a flexible friend

ELECTRONICS IN British banks has come a long way in the past few years. Services and facilities that seemed only technological pipedreams in the early 1980s are now in place, and banks and their customers are beginning to terms with the full implications of electronic money.

The most dramatic changes have been seen in personal payment services. Three years ago, moves to establish a national clearing system for paying retailers' bills electronically seemed hopelessly bogged down in a bureaucratic morass. Now, the first stages of the development of a national clearing system, at the point of sale (efpos) system have been agreed; and a document, the Business Service Specification, which sets out the essential elements of the plan, has been published by the Bank of England and the public can see what is intended.

The eftpos saga is in some ways a model of the manner in which electronic financial services are developing in the UK. Earlier eftpos schemes had involved rigid proposals that had more to do with technological 'gee-whizzery' than with an understanding of each bank's competitive position.

Throughout the history of empos, there has been a technological emphasis on instantaneous transfer of cash - from purchaser's bank account to retailer's bank account - at the moment of sale. But it has gradually been realized and accepted that other facilities are of much more significance to banks and retailers alike. New methods of checking that a plastic bank card is genuine, for example, and that the purchaser is within his or her credit limit, and ways of permitting competition between members of the scheme.

So the scheme set out in the Business Service Specification is flexible to a fault; and each bank is free to define and build its own strategy on the foundation of a simple common system. Meanwhile, as it publicly declared its commitment to the common system, Barclays Bank was ruffling the feathers of its fellow clearers and retailers alike with the introduction of a debit card (its first) which it called 'Connect'.

Now, debit cards are the stuff of e-finance. Such a card allows the immediate debiting of a customer's account after a sale, in contrast to the period of credit allowed by credit cards. Barclay's Connect card, however, is intended for use in electronic point of sale terminals; the transfer of funds does not take place instantaneously but within a couple of days, just as with a check. The card is not used which, for legal reasons, the customer has to sign; but to all intents and purposes Barclay's Connect is e-finance.

Was Barclay's trying to hijack the retail and credit banks' e-finance opportunities, wondered

Midland Bank's new generation of open-plan banks includes self-service statement printers

But their muted concern was nothing to the row the retailers easier to maintain than their predecessors. mercy of the thief through both the card and the PIN.

The transaction processing software, which links the machine to the bank's mainframe computer, is proven, effective and reliable. The problem - and in numerical terms it is still a small one - is that cards are stolen or lost, and people are careless with them. Identification numbers (PINs). So what will happen when the whole country has moved to a plastic card-based payments system? It is an obvious question and one which attracts answers ranging from 'moon bumps' - the use of exotic materials to give a card uniqueness and finger-prints - to the use of smart cards.

The more glamorous retail banking areas, like eftpos and Alamo, are the banks' major task is still to improve their customer files, to give them a better platform to offer new products and services in the 1990s. At present their files are 50-60% complete. The banks' cost-benefit count, rather than a customer basis. In other words, it is hard for a banker to draw them together swiftly all the information they need for a particular purpose - for marketing purposes, for example. There is no simple answer; each bank has to go through the expensive and time-consuming process of cleaning up its files.

At Midland, Mr. Greville says

offer terms close to the use already agreed for cheques.

They won a second time when they forced Midland Bank to review its new 'Vector' (Mastercard) card on much the same arguments. Midland will decide soon whether to relaunch the new card. The impact of electronic financial services on those who have to use them – as opposed to suppliers – worries about the bank's other major card operated systems, the networks of automated teller machines (ATMs).

ATMs are seen as the great

The growing importance of the smart card - the card with a complete computer built into it - in the banking world is a tribute to the design of the French technologists who pioneered the concept. In the UK, all the major banks are believed to be experimenting with the smart card, although only one - Midland - is testing the system, in a limited trial based on Loughborough University.

The smart card will not guarantee that the card is genuine, because of the complexity of its construction, but smart card systems are still at the

hurdle, the bank's new and powerful systems chief, believes that he has completed integration of the 8,000 or so corporate accounts. He has yet to tackle the major customer files. The other major banks are progressing at a similar speed. When completed, it will make it substantially easier for them to sell new services such as home banking, a present offering only by institutions such as Nottingham Building Society, Bank of Scotland and Clydesdale Bank and the TSB.

Alan C...

Alan Cane

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UK BANKING 5

Scotland

Foreign purchase proves welcome

ONE RECENT event dominates the Scottish banking scene: the purchase for £300m of the Clydesdale Bank by National Australia Bank. The relatively settled pattern of Scottish banking is certain to be disrupted, though no one is yet sure exactly how.

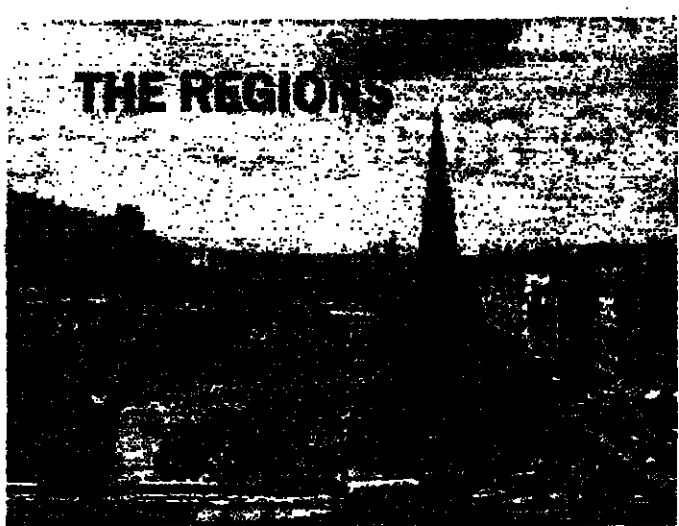
The Clydesdale ranked a poor third among the Scottish clearing banks. The leader in Scotland is the Royal Bank of Scotland, whose name has been found all over England since it merged its two subsidiaries, the Royal Bank and Williams and Glyn's, into a single institution. Close behind the Royal Bank comes the assertively managed Bank of Scotland, pursuing a policy of expansion south of the border mainly through direct marketing rather than through branches.

The Clydesdale is reckoned to have between 15 and 18 per cent of the Scottish market, much the same level as that of the TSB Scotland, which in 1986 became the fourth Scottish clearing bank. At the end of 1986 it had total assets of £2.5bn, a year in which its profits declined 5.3 per cent to £27.9m.

The Clydesdale's growth was stunted by its parent, the Midland, which had owned it since the early 1920s. While the other Scottish banks looked southwards for expansion, the Clydesdale had no such outlet, and its lending powers were curbed by the Midland, especially after the London-based institution had itself been hit by disasters in the US and third world.

"The Clydesdale is condemned to a lingering death," one Scottish banker commented in the summer.

Its performance was also hampered by its geographical



THE REGIONS

spread: for historical reasons it is strong in both north-east Scotland, around Aberdeen, and in the west, around Glasgow. It has thus missed much of the business of the Edinburgh financial community, while in recent years it has suffered both from the problems of farmers and the offshore supply industry in the north-east, as well as from the industrial decline of the west of Scotland.

The sudden news that the Midland had sold the Clydesdale, along with its Irish subsidiaries, to National Australia Bank must rank as one of the most popular foreign takeovers Scotland has ever seen. Most observers seemed to share the delight of Mr Richard Cole-Hamilton, the Clydesdale's chief executive, that the Glasgow-based bank was to leave the grip of the Midland. When asked whether Scots would be prepared to bank with an Australian outfit, Mr Cole-Hamilton said: "Why, a lot of our customers seem to think we are owned by a foreign bank already."

But some, including the Scottish National Party, argued that the transaction should have been referred to the Monopolies Commission, not because there was any question of a monopoly being created, but in order that the Clydesdale's new Australian owners should be asked to explain their plans for the bank and make firm commitments about its future. In the event, however, the deal

owners will insist on harsher treatment of potentially bad debts. Scottish banks are traditionally understanding in supporting some of their customers through difficult times.

The fact that the Clydesdale transaction was not referred to the Monopolies Commission has sparked off questions in Scotland about the future of the Royal Bank.

The Royal Bank is considered vulnerable to a predator because it has no protecting stake; unlike the Bank of Scotland, in which Standard Life has a substantial minority holding. If the Clydesdale avoided a reference, how would the Royal Bank fare? If the Royal Bank is worried, it is not showing it. The two cases are different, it is argued. The Clydesdale may be glad to exchange one set of alien owners for another, but if the Royal Bank faced an unwelcome approach there would almost certainly be a strong enough outcry in Scotland to ensure a reference.

The Royal Bank is the scene of the other significant recent development in Scottish banking. At the beginning of September, Dr George Mathewson moved from being chief executive of the Scottish Development Agency to become director of strategic planning and development at the Royal Bank. Dr Mathewson is an able financier - before joining the SDA he was with investors in Industry (3) - and is an incisive long-term thinker. He does not, however, have a background in clearing banking. There are those in Scotland who see him succeeding one of the bank's senior executives in day-to-day management of the bank.

James Buxton

BUSINESS IS buoyant, but pressures steadily mount on the financial sectors of Jersey and Guernsey, largely because the islands' governments are imposing ever more oppressive immigration restrictions.

Although the authorities in both jurisdictions insist that the doors are still open for new banks of the right quality, the fact is that only a handful of the world's top banks would find it worthwhile to apply for a full licence.

Channel Islands banks are having to develop new strategies involving the expansion of high value added activities and the running down (or automation) of the labour-intensive paper-churning aspects of financial business.

In Jersey, for instance, legislation is being passed which could mean that, from next year, all undertakings on the island will need to obtain permission for any increase in staff numbers.

Although the idea is that these capping regulations will be applied flexibly, the political pressures are such that there will have to be very good reasons indeed for any exemption from the general freeze in numbers.

Moreover, immigration licences are now being issued only for limited periods of three to five years, and are not automatically renewable. This creates uncertainties, particularly among senior management, where high level staff often need to be brought in from the mainland.

In the past Guernsey has been a little more accessible than Jersey, but now even Guernsey, where in one recent week only 10 people drew the dole out of a

Channel Islands

Entry limit is an obstacle

population of 55,000 - is proposing a work permit system. This will be in addition to the existing system of housing licences (those not given licences as essential immigrants are forced to rent, or to buy houses on the open market at prices of the order of £400,000-£500,000).

In these circumstances the growth emphasis has tended to switch from pure banking business to the investment management side, which has also been boosted by the effects of the global bull market.

In Jersey, bank deposits have fluctuated narrowly in the £23bn-£24bn range during the past two years. This partly reflects a fall-off in the volume of low margin syndicated loan business booked through the island. The weakness of the dollar against sterling has also been an important factor, given that two-thirds of Jersey bank deposits are denominated in foreign currencies (mainly the dollar).

As for Guernsey, growth was stronger last year but the latest figures show a drop from £9.5bn last December to £9.2bn in June. The currency influence may be evident here too, and there could also be a seasonal effect (June figures have not been calculated before).

The picture of highly profitable stagnation is not quite the

whole story, however. One interesting development in Jersey, for instance, is the imminent arrival of Abbey National Building Society from the mainland, by means of the takeover of Jersey Savings & Loan Corporation, a small local housing finance business with a deposit-taking licence and some £2m in assets.

Elsewhere, Guernsey has taken an initiative by developing the concept of 'managed' banks as a way of circumventing the shortage of resources. The commercial relations adviser, Mr John Roper, sent out a circular on the subject last May.

The idea is that managed banks are something more than Caribbean-style brass-plate banks, in that they have proper audited records and pay full Guernsey tax. However, they have no physical presence.

In the island's quest for institutions that deliver the maximum taxable profits in relation to their consumption of local resources, managed banks would appear to be something of a breakthrough.

The trick is achieved by providing that the bank's affairs should be managed by an estab-

lished local bank. Books generated maybe thousands of miles away are simply recreated on the island.

So far two pioneering managed banks have been established in Guernsey: Banque Paribas (Suisse) is administered by Henry Ansbacher, and a Venezuelan bank, Bank Mercantil, is having its local affairs handled by Royal Bank of Scotland.

Guernsey banks are now being encouraged to regard playing host to managed banks as a possible new profit centre, and they are beginning to market the idea around the world. Some believe that the potential could be very large over a period of time.

At any rate, there seems to be no practical limit to the number of managed banks which could be licensed in Guernsey. Yet it remains to be seen whether, in practice, banks will be happy to have their private affairs pass through the hands of another bank which might, in some cases, be tempted to take advantage, for instance by poaching clients.

Jersey is taking a slightly less aggressive line on managed banks, although it also has two at present - the South African Nedbank and Svenska Handelsbank from Sweden.

One difference is that Jersey will allow such banks to be administered (as both of these are) by firms of accountants experienced in banking matters, provided a different firm carries out the audit. In fact, the Guernsey regulators also accept that it might be hard in practice to turn down a top accounting firm as a potential administrator of a managed bank.

Barry Riley

Isle of Man

Name hunting in the US

THE TIDE has turned for the Isle of Man's banking sector, although it is not yet in full flood.

Within the past few months the island has captured two important new names, with the arrival of Robert Fleming, the London-based merchant bank with strong far-eastern connections, and Pierson, Halding & Pierson, the Dutch private bank which is a subsidiary of Amro Bank.

Next month Mr Jim Noakes, the island's banking supervisor, makes an official visit to the United States with the aim of promoting the advantages of the island as a secure offshore centre within the European time zone.

Attracting a major American bank has long been a Manx ambition, frustrated by the general retrenchment in recent years within the troubled US banking industry, and also by the island's own regulatory problems, highlighted by the 240m collapse of the Savings and Investment Bank in 1982.

However, four years spent in reworking the regulation of Manx banking are now paying off. At the same time, the severe congestion being experienced by the Channel Islands is forcing banks and other offshore financial businesses to look more carefully at the attractions of the Isle of Man.

Pierson, Halding & Pierson was an important capture, being the first substantial continental bank to obtain a full Manx banking licence. There are now 45 institutions on the island with full banking licences, and another 10 deposits taken, but they have until now been almost entirely from the UK mainland, together with a handful of local private banks.

There has now been a step towards the authorities' goal of internationalisation, and the US too could eventually lead to further arrivals, although Manx officials stress that the impact will only be seen in the longer term.

Mr Don Beacock, manager of Pierson, is optimistic about the potential of the Isle of Man. His bank has extensive activities in offshore finance, being represented in centres like the Netherlands, Antilles, Guernsey, Switzerland and Hong Kong.

He explains that the Manx presence complements the capability of the bank elsewhere in its world wide network, for instance by adding the Anglo-Saxon trust concept to the Dutch company management tradition.

Although Pierson, Halding & Pierson is able to offer the full range of banking services, including deposit taking, the emphasis will be on managing the longer-term assets of high net worth individuals.

Thus the bank has already installed a team of four investment managers on the island. "We are very confident of the growth of the financial sector in the Isle of Man," says Mr Beacock.

Robert Fleming is also using its Manx bank for expatriate investment and trust business. It has been planning to open a UK offshore operation for some time and looked at the Channel Islands, but found that costs there would be very high.

Inevitably the Isle of Man has something of the image of a poor man's Jersey or Guernsey, but given the lack of growth potential in the Channel Islands, Manx bankers sense an excellent opportunity.

The aim of the authorities is for steady and sustainable, rather than explosive, expansion. That pattern is indicated by the trend in bank deposits, which went up from £3.3bn in March to, it is thought, a little under £3.5bn at the end of June.

Unemployment on the island has been falling, and demand for commercial and residential property has been firm enough to cause a few amber lights to flash in political circles. The priority now is seen as developing an improved international status, rather than drawing in substantial further numbers of mainland institutions.

There remain six private banks, with just 2 per cent of the deposit market, the survivors of a larger number which operated during the island's less well regulated past. The view now is that these remaining local banks are sound, but no more will be licensed.

Undoubtedly the authorities would like to see the arrival of American and Far Eastern banks, with the promise of diversification of the island's international financial clientele.

But although a number of representatives of foreign institutions have been passing through on exploratory missions, it does not look as though any new banking licence applications are just around the corner. A development worth mentioning, however, is the imminent arrival of the Guernsey company Barfield, which is setting up a trust business in the Isle of Man. Barfield is jointly owned by the London merchant bank Baring Bros and Butterfield Bank of Bermuda.

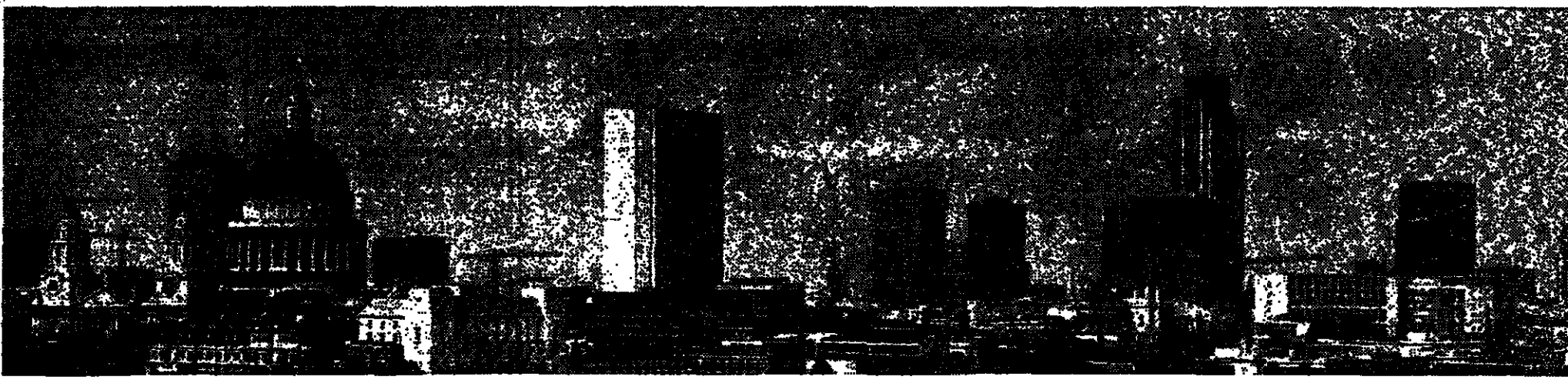
One focus of discussion within official circles recently has been the possibility of permitting the establishment of managed banks of a kind that are beginning to appear in the Channel Islands. Such banks have a legal presence but no local physical operations, their business being handled by another bank or a firm of accountants.

The decision has been taken to bar such proposals, on the view that it is better for the island to encourage institutions with a real presence.

But it is not ruled out that managed banks might be permitted at some time in the future, should the island experience shortages of skilled staff and space more nearly on the scale now being suffered by the Channel Islands.

Barry Riley

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UK BANKING 6

SERVICES

Big Bang and the investment banks

Reckoning delayed

INVESTMENT BANKING has been the financial market fashion of the 1980s. The focus of international banking has shifted from the building up of balance sheets, the predominant concern of the 1970s, to earnings through fees and commissions.

Nowhere has that shift been more evident than in London, where bank after bank declared its intention to move into the investment banking business.

That the British government was also moving coincidentally to break up the local cartels, which dominated the UK bond and stock markets, provided a further reason for many international banks and securities firms to base investment banking operations in London.

The prelude to the Big Bang of October 27 was marked by a flurry of mergers and takeovers, as international and domestic banks and securities firms sought to grab a foothold in as many different markets as possible. Teams of dealers and analysts shifted from one house to another for vast salary packages.

It was already clear before Big Bang that there were simply too many firms seeking too little business, and that many of those buying into the firms would turn out to have paid far too much.

What has happened since has done little to lead to a revision of that view, although the day of reckoning for many may have been put back by a stock market rally which has pushed share prices 50 per cent higher in nine months and contributed to an extraordinary increase in trading volume.

That said, there is little to indicate that the most dire predictions - of a London market dominated by a handful of mega-firms with world-wide clout - will come to pass in the foreseeable future.

There has been time to take stock of developments, however. Many firms have decided, quietly or otherwise, that the problems of trying to be all things to all people are just too difficult to handle.

For some, that decision was made before Big Bang. James Capel, the UK stockbroker subsidiary of the Hongkong and Shanghai Banking Corporation, was the only one of the major UK stockbroking firms to decide that it would not make markets in UK equities and would set purely as an agency broker. Helped by the reputation of

its research team, and perhaps by some suspicion among shareholders of institutions in the UK, about using brokers who were also looking to their own books, the Capel decision seems to have paid off, and the firm has carved out a significant share of UK stock market business.

For others, the move came afterwards and with little kudos. The most widely publicised decisions were those by Midland Montagu, which withdrew from UK equity market making, and Lloyds, which pulled out of making markets in UK government bonds and Eurobonds.

Fairly or not, the fact that both were British clearers has raised questions about the ability of UK commercial banks to act as major players in the world's financial marketplace.

The moves, of course, may prove to be prescient. It is hard to make profits when every major bank and securities firm in the world, some with better credentials, are trying to do the same thing. The pendulum may be swinging back toward commercial banking, which Lloyds for one sees as its core business.

However, withdrawals from these markets are a Frank admission that they cannot provide "one-stop shopping" for their corporate customers and that for some services their clients would have to go elsewhere.

There are knock-on effects too. Pulling out of market making in the gilt-edged market makes it more difficult for Lloyds to perform in the vast and rapidly growing international market in foreign exchange swaps.

The much talked about cultural differences between investment and commercial banks have clearly been a problem too. One version, explaining the Lloyds decision, suggests that the board and senior management simply became tired of ultimatum from investment bankers with views which ran counter to the way they were used to doing business.

Sir Kit McMahon, chairman of Midland Bank, insists that on no account will the investment and commercial banking arms of his bank overlap. When the group consolidates its other businesses at a new headquarters, the investment bank will be deliberately kept in a separate building.

The UK merchant banks have faced difficulties too. The Guinness scandal did nothing to en-

hance the reputation of Morgan Grenfell or the sector in general. It also contributed to a sharp decline in lucrative takeover activity in the early part of 1987.

Most, committed to be full-service institutions, lack the capital to be a major force in the international market place, where the ability to mobilise capital in the form that the US investment banks can is increasingly important. For Hill Samuel, the answer seemed to be provided by a takeover from the Union Bank of Switzerland, but the hope was shattered when the Swiss bank pulled out.

But US securities firms, too, have been besieged by difficulties over the last year. They are suffering from a global problem which they can put down to the sharp growth and increasing sophistication of securities markets worldwide.

While their image is one of dynamism, many of the firms are plagued with a problem usually associated with less vigorous industrial concerns - poor management control.

These days, the talk on Wall Street is about management: to correct the inefficiencies marked by the easy profits and rapid growth of recent years, and to control the increasingly complex risks being taken in dealing in volatile financial markets. It is unlikely that London will escape the consequences of the decisions that flow from this new emphasis.

So far, the Japanese have proved to be slow to enter the UK domestic markets. Nomura has been the first to gear up to make a market in selected shares, and Nomura and Daiwa are both thought likely to apply for the status of a market maker in the gilt-edged market when the moratorium on new entrants is lifted on Big Bang's first anniversary.

Much of what they have done in the international markets has been very much geared to the demands of the Japanese market, so it is hard to gauge what impact they will have on London. If they decide, however, to apply their massive capital to gouging out a major presence in the UK domestic markets, then there will be a lot of worried people in the City.

The other major fear is the onset of bear markets. It has been tough enough making money while market psychology has been generally positive.

Stephen Fidler

Retail banking

Penetrating the market segments

spend. They would then face a huge hole in their profits.

Already there has been some innovation from banks on current accounts. Earlier this year, Midland brought out its Vector account which pays interest in exchange for charging customers a hefty fixed cost. Barclays has introduced its Connect debit card, which might still attract new customers if it manages to get universal acceptance from retailers. NatWest has also hinted that it is considering interest-paying current accounts for the markets.

In the financial services market, banks' strategies have had to be modified by the polarisation rule devised by the Securities

they would have to sacrifice their highly profitable insurance broking arms. On the other hand, if they gave independent advice, they would lose sales outlets for their unit trust and life products.

Although polarisation clearly inhibits banks' freedom of action, it may paradoxically have helped them by focusing their minds on exactly how they are going to market investment products.

Before polarisation, for example, 20 bank had a clear strategy for selling unit trusts through its branches. They had barely scratched the surface of one of Britain's fastest-growing financial markets. Most of them have now decided against the independent advice route, and this has freed them to pump products much more aggressively through their networks.

Polarisation has also accelerated banks' segmentation strategies. Although each bank has chosen a slightly different route, the general plan has been to divide customers into two categories - mass-market customers and wealthy individuals.

The branch networks are being developed as the main distribution channel for the mass-market customer. As well as being offered current and deposit accounts, personal loans and mortgages, he is now to be sold unit trust, life assurance, personal equity plans and - at least as far as Barclays and NatWest are concerned - a popularised share-dealing service.

Such customers, theory has it, do not have incredibly complicated finances, so branch staff are capable of advising them.

Current account interest payment by building societies is spreading. The banks are worried

ties and Investments Board, the new investment watchdog. This requires banks to choose between selling only their own life, unit trust and pension products through their branch networks, or giving genuinely independent advice on the whole range of products available in the market.

Banks strongly objected to this rule, arguing that they ought to be able to both to give their customers independent advice and sell their own products if these were suitable. They were worried that, if they chose to sell only their own products,

Clearers' domestic banking profits

	NatWest	Barclays	Lloyds	Midland
Profits in six months to June 30 before tax and Third World debt provisions (£m)	747	530	309	251
Domestic banking profits* (£m)	619	386	317	218
Growth of domestic profits over previous year (%)	70	25	42	51

*Domestic banking defined as everything except international banking and investment banking.

What's more, they feel safe buying a product branded with the bank's name on it, so they do not mind the absence of independent advice on those products to which polarisation applies.

Most wealthier customers, however, the theory continues, demand independent advice. Their finances are so complex, moreover, that branch staff would not be able to handle them if they went to their bank to get advice in the first place, which they probably would not.

The answer therefore is to build up a smaller and separate network of specialist financial services branches, catering for these customers. Most of the banks are doing this by converting their old tax and trustee offices. The general plan is that these networks should give independent advice, though Midland's idea is to use it to sell branded investment management and pension products.

In tandem with this segmentation between mass-market and specialist personal branches, banks are doing four other

things to increase the penetration of their products:

First, they are segmenting the other end of the retail market by developing specialist corporate branches. These are designed to give a better service to medium-sized corporate customers by concentrating expertise. Banks also hope that this will help their performance in the personal market by freeing branches to concentrate on personal customers.

Second, they are retaining staff so that they become less like clerks and more like salespeople.

Third, they are redesigning their branches to make them look more like retail outlets and less forbidding. Screens are being pushed back and more branch staff put into the front of the office.

Finally, billions of pounds are being spent on computer systems, which will allow banks to focus their marketing strategies more sharply.

Hugo Dixon

International capital markets

Unhealthy time for many players

THE EUROMARKETS are often referred to as the world's third largest securities market, after the US and Japan. But it is getting increasingly difficult to delineate exactly what the Euro-markets are.

It used to be the case that domestic and offshore markets were distinct. The Euro-markets have flourished in London since the 1960s, and the heavily protected UK domestic markets continued for a long time, although the new foreign currencies did not exist.

By now, with Big Bang, the Financial Services Act and the acquisition of most stockbroking firms by firms active in the Euro-markets, the international and domestic markets are one entity, subject to the same regulatory framework. Sterling-denominated securities, domestically issued, are simply one of the tools in a very large shed.

The breakdown of barriers between international and domestic markets world wide has occurred concurrently with the rush by commercial banks into the investment banking business. Frightened that they would lose long-time customers to investment banks, because they could not handle the issuing and trading of securities, many banks have established capital markets operations.

More than that, they have wanted to be able to compete in all markets. To be able to deal in government bonds and equities in the world's major financial centres. The widespread interest in primary dealerships in the UK gilt-edged market was one example of this trend.

The result of all this is, for many of the players in the international capital markets, a fundamentally unhealthy situation. They are having to compete with each other as never before.

Most recently, they have had to cope with the effects of the rise of the yen: an explosion in yen-denominated instruments and a massive incursion by Japanese borrowers, with the result that Japanese securities houses and banks have vaulted to the top of the new issue league tables. Many non-Japanese bankers claim that this position has been reached by aggressive buying of market share, though securities houses deny this and their profit figures have tended to support the denial.

The Euro-markets in London are hugely overpopulated, and it has never been more difficult to make money.

Faced with the prospect that it could not earn a satisfactory return on capital for the foreseeable future, Lloyds Bank this year became the first bank with global pretensions to bite the bullet. It pulled out of the Eurobond market, in which it had operated as a regular, if not one of the largest, participants for many years. It also withdrew from gilt market-making only seven months after establishing an entirely new operation at Big Bang.

Many other senior bank managements must be contemplating similar moves, but to withdraw from securities markets - even if it turns out in the end to have been a sound move - would be interpreted universally as tantamount to consigning oneself to division two.

The tough times of the international bond markets are not just caused by overcrowding. Dollar interest rates, which fell steadily during the period of rapid expansion of the Euro-

bond market earlier in the 1980s, have turned upwards. This has all but killed many houses and put a premium on skills in other fields. The Australian and New Zealand dollar sectors, for example, have become profitable niches for some banks, including some British players, which have also benefited from a larger volume of Eurosterling issues.

The troubles of the dollar bond market - compounded in the Eurobond market's case by currency worries - have helped to end the growth of the floating rate note market, once one of the market's major successes. The sector was already suffering from a degree of malaise when, late last year, the bottom fell out of the perpetual collar.

The market's sudden collapse showed that many perpetuals - some \$15bn worth had been issued in a typical rush to follow a fad - had not in fact found investors but were still washing around among the professionals. Perpetual debt depended on secondary market liquidity, precisely because it was undated: the holder would never be paid back, so he needed to know that he would be able to trade it. But liquidity disappeared almost overnight as the market fell. Many market-makers

rapidly pulled out, leaving only a hard core who now maintain the market.

The episode was probably the most severe setback in the history of the Eurobond market. It tarnished the market's reputation for innovation, and exposed its illiquidity at a time when international investors were beginning to put a premium on liquidity. Many investors have deserted the Eurobond market for more liquid government bond markets.

Where are Eurobond houses to turn? The most nimble have already moved on to establish substantial operations in the equity and equity-related bond area. The mighty Credit Suisse First Boston, Deutsche Bank and Morgan Stanley are more often found these days heading the issuing syndicates for so-called Europequity issues - issues of shares employing Eurobond syndication techniques - or convertible debt issues.

The internationalisation of equity markets has become a major preoccupation for many houses, which have substantially built up their trading and research capabilities.

There are also signs that the Eurobond market itself is returning to its roots: that with institutional investors growing

dissatisfied with it, the Belgian dentist and his ilk are again becoming more important. That means that banks with good retail distribution, especially in Switzerland, could do well.

Other sectors of the Euro-markets are still growing. Eurocommercial paper, for example, has attracted a broad range of issuers which have justified the heavy investment of at least some of the would-be top players. A new market in medium-term notes - offered continuously like commercial paper but for longer maturities - is also being developed in Europe after its success in the US. Swaps business is huge and growing.

Another constraint on all the players is looming, however. The UK Financial Services Act has established a framework under which new capital requirements will be placed on all companies carrying on investment business in the UK. The players are now counting the cost of these requirements, which will put further pressure on the bottom line. More that that, the new regulations will impose a comprehensive conduct of business code on the once free-wheeling, unregulated Euro-markets.

Alexander Nicoll

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SERVICES

UK BANKING 8

LABOUR RELATIONS

I DON'T see it as our role to provide a major part of risk capital for small businesses," says Mr Roger Bardell, divisional manager, small business services, at Lloyds Bank.

That view, widely held among the clearing banks, continues to frustrate would-be businessmen who are poised to start up on their own, but lacking the initial capital.

A major problem for small businesses is the need to raise risk capital - the smaller the business, the higher the chance of failure," says Mr Bardell. "But no small business with a properly organised plan should be short of the sort of money it wants to raise," he adds, pointing to the proliferation of schemes now available to fund small businesses.

The reality, however, is rather different, and searching out funds remains a major problem for many small businesses.

Since the early 1980s, the clearing banks have come a long way with their schemes of offering finance for small businesses. They provide the bulk of funding, usually in the form of an overdraft facility or, increasingly, a term loan. But the most notable recent changes within the banks have been the special divisions which have sprung up to cater exclusively for the needs of small businesses.

Glossy brochures from the Big Five clearing banks (including the TSB) spell out the different financing on offer, with the emphasis clearly on education - how to go about setting up a small business, a cash-flow projection, a repayment plan.

THE DECLINE in the banks' traditional role as chief source of finance for the corporate sector - a process given the ugly name of "disintermediation" - is well charted, although it would be unwise to overstate its extent. There are plenty of companies which still depend heavily on bank overdrafts.

What is certainly true is that the old picture of the businessman trekking cap in hand to the bank manager is out of date. Indeed, on some financing deals, the willingness of banks to moderate their fee demands, in order to be associated with the right corporate name, suggests that the traditional roles have been reversed.

Tough-minded corporations have been able to cut back fees to the barest minimum. When industrial BTR raised a \$1bn loan earlier this year, underwriting fees were among the lowest ever seen - a bank could earn only \$2,330 for underwriting \$23.3m. The British banks finally rebelled and opted out of the deal, but BTR's pulling power was enough to attract plenty of banks from outside the UK.

There are few companies with BTR's muscle, however, and

Funds still a problem

At National Westminster - an innovative bank when it comes to small businesses - an office has been set up for the small businessman to provide information about his business, and receive in return details of all the assistance available to that business from a wide variety of sources.

The information, which is obtained via computer, comes in a customised glossy folder and is free of charge. Known as the Business Information Bureau, the NatWest scheme is due to be launched formally on October 1, though a pilot scheme has been operating for 12 months.

"In the last five years, we have detected a much greater need [among small businesses] for guidance, information and signposting on the path of organising and running a business," says Mr Kevin Jennings, senior executive, small business sector, at NatWest.

"There is still a high failure rate among businesses, and banks can play a major role in helping to rectify this. 200,000 small businesses will start up with NatWest this year, and our major effort is to make sure they stay in business," he adds.

This shifting emphasis, of the bank as hand-holder for the small business, is based on a

Small companies

hard-headed strategy for the future. "The banks realise that the small business sector is a profitable one - in any market you cannot hope to accrue profits just from established business alone," says Mr Ian Hinds, manager's assistant, small business unit, at Barclays.

Barclays currently lends some pounds £7bn to businesses turning over pounds 1m or less, and pounds £3bn-£3½bn goes to those with a turnover of £100,000 or less. "It is those businesses which make up by far the biggest volume of the bank's business customers," says Mr Hinds.

He describes these small businesses as the "bread and butter" of the clearing banks' business - lending, but says: "There isn't anywhere near enough research being done in to the small business sector."

With new businesses starting at the rate of at least 500 a week, the clearing banks agree that the problem for them lies in identifying which ones will succeed. Predicting future success among small businesses would have profound implications for the banks.

Dr David Storey, an economist and statistician at Newcastle University, who has worked

on such quantification of risk, says: "All the banks are very keen on building up their own credit scoring system for small businesses - if they are able more accurately to judge risk, they are able to offer lower interest rates, which are an important part of their armoury."

With the exception of the Midland, however, the Big Four clearers deny having any form of credit scoring in place to evaluate lending risk to small businesses.

The banks stress that the discretion of the bank manager - albeit a better-trained manager than small businesses faced across the table a few years ago - remains the predominant factor in deciding whether to extend finance to a business.

Stuart White, manager of the small business unit, stresses that the system begins by "assessing the individual as a person, not whether or not he is good as business. His track record, competence and personality as a whole are taken into account." Only then is a systematic method used by the bank manager to consider the amount of

loan requested and the plans for repayment, says the Midland.

Methods of identifying future success in business also continue to face the basic problem of being useless when it comes to companies that are just starting up.

But while they persist with research into what makes a business succeed, banks are also faced with the more immediate task of carving out a further share of a tremendously profitable market.

Equity funding remains a major problem for many small businesses, but the banks are moving cautiously towards the provision of near-equity to small firms. NatWest recently launched what it calls its capital loan scheme, which offers limited companies up to £200,000 with options attached to allow the bank to take shares in the company at a later date.

Its rivals claim the scheme is having a limited success, as many small businesses are reluctant to hand over any shares for fear of losing control over the business. But NatWest maintains that it is responding to demand, and Mr Jennings points out that small businesses are in a weak negotiating position in the early stages of their quest for finance.

The major clearing banks show no signs of following NatWest's lead, however. "One thing which militates against banks getting into equity participation in any serious way is a lack of resources," says Mr Hinds.

Dina Medford

Corporate banking

Roles are reversed

As banks vied to issue paper for the best corporate names.

The spate of ambitious transatlantic corporate bids also gave banks the opportunity to show that the creation of the new financial conglomerates offers real advantages for their corporate clients. County NatWest sold itself as an "all-singing, all-dancing" bank to win the mandate for Blue Arrow's cheque - and ultimately successful - bid for the much larger Manpower.

As well as underwriting the \$57m rights issue needed to finance the bid, County NatWest also provided \$300m of back-up finance, part of which was used when Blue Arrow increased its offer to \$1.3bn. That was a substantial amount of risk for one firm to take on and would probably have been impossible five years ago.

It is not just the loan depart-

ments of banks that have had to change. Foreign exchange departments, which until quite recently, knew only two products - spot and forward exchange rates - have had to cope with a bewildering array of derivatives as option-based products became more widely used in the wake of the successful introduction of currency option trading on the Philadelphia Stock Exchange.

Corporate customers also expect to get competitive rates and narrow spreads, and the spread of electronic technology gives them the ability to be just as professional as the bank foreign exchange dealers - indeed many top corporations have their own dealing rooms.

Interest rate cover is also a product increasingly in demand from companies, as illustrated when Grand Met arranged, through S G Warburg, interest

rate swaps on \$750m of debt incurred as part of the finance for the purchase of Heublein, the US-based producers of Smirnoff vodka.

A panel of 16 banks was invited to bid, over several days, for \$25m tranches of debt with a range of maturities. By fixing the cost of so much of its debt, Grand Met was able to safeguard itself against the rise in rates which occurred later in the year.

Swaps are only one of a range of products offered by banks, with interest rate options and forward rate agreements probably the best known. Banks can use the thriving liquidity of the interbank market to offset the risks incurred, although whether the banking sector as a whole is absorbing too much risk through such off-balance sheet instruments is a subject currently taxing the minds of the regulators.

The size of the interest rate swap market is now estimated at around \$300bn a year and in this and many other areas, competition from US and other overseas banks is extremely fierce.

Philip Coggan

Pay and staff

Employers break ranks

IN LABOUR relations, 1987 rather than 1986 will be known as the year of UK banking's big bang. A muted explosion could be heard as the Federation of London Clearing Bank Employers collapsed under the combined pressures of growing competition for staff and industrial action over pay.

This second bang was to some extent a product of the first. Deregulation, and its attendant growth in the number of financial institutions recruiting staff from London and the South-east, was another blow to the chances of the big banking employers sticking together in their dealings with employees.

The closure of a 16-year-old club with only three surviving members - Barclays, Lloyds and National Westminster - does not sound like a particularly significant event, yet the end of joint pay bargaining in UK banking has many implications for both employers and staff.

Most obviously, it means that the major clearers will be free to set out their own strategies for rewarding and retaining their employees. In recent times, each has had one hand tied behind its back as it has tried to fend off attempts by smaller competitors to poach its most promising workers.

In the first flush of freedom, there have been no dissenters from the view that this is a good thing. A period of calm reflection on the immediate results - increases of up to 15% per cent in London allowances, and an addition of 2 per cent by Lloyds to the federation's final 5 per cent pay deal - might lead to a different conclusion.

The next pay settlement at National Westminster is now due on January 1. Barclays and Lloyds will follow on April 1, and Midland will bring up the rear on June 1. With the NatWest already signalling that its staff can expect some reward for staying loyal this year, there are growing worries that a pay auction will develop over next year's crop of school-leavers.

It is not just the major clearers that are at risk. The federation's annual pay deal has traditionally been used as a benchmark for other settlements within the sector - particularly at the smaller UK banks - and some fear that its demise signals the end of an informal system of pay control.

There is little doubt that competition for staff at all levels is likely to continue. Not only is the number of people employed nationally in the finance sector

growing, but banking employment is concentrated in the South-east, where competition for white collar staff between is increasing.

Thus the breaking point for the federation came when NatWest was held back from making the additions that it wanted to London allowances and bringing in a South-east allowance of £750. The significance for the bank was that some 33,000 of its 74,000 UK employees work in the South-east. At Midland, the number is 18,000 out of 45,000.

Midland followed NatWest's allowance increases after its own projections had predicted that it would face problems re-

With NatWest signalling that staff can expect some reward for staying loyal, there are fears of a pay auction over school leavers.

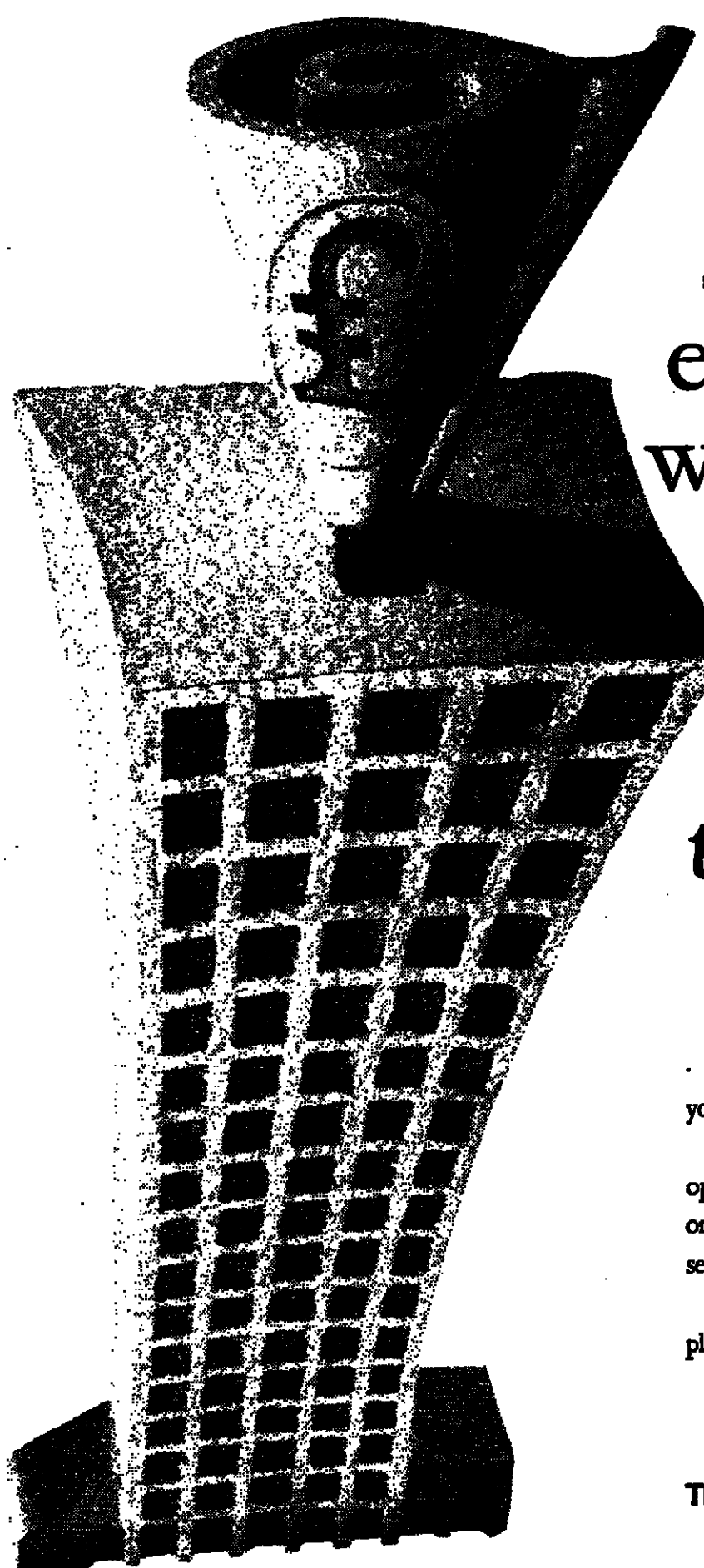
taining staff in particular areas, such as the belt of towns flanking the M4 to the West of London. Its employee turnover level is between 12 and 15 per cent but approaches 20 per cent in the more competitive areas.

What can the major banks do to avoid a continuing spiral of salary levels? John Bond, NatWest's personnel division general manager, suggests that part of the answer may lie in moves towards the individual negotiation and reward policies of the smaller investment banks which have tempted away many clearing bank staff.

NatWest is planning a new pay structure for its 6,000 managers that will tie rewards more closely to performance, and Mr Bond believes that the principle will eventually be extended to lower grades. The bank could then avoid being forced to raise general salary levels simply to recruit and retain the best performers.

As far as the banking unions are concerned, the labour practices of the foreign and investment banks - where union recognition is the exception rather than the rule - are the last that the clearers should follow. They are already worried about the clearers' refusal to extend union recognition to their securities arms.

John Gapper




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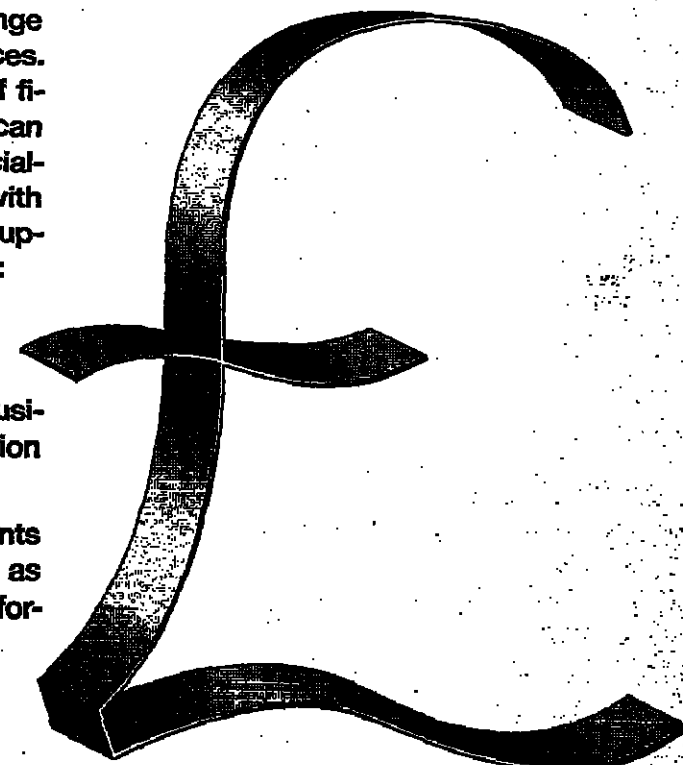
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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday September 21 1987

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INTERNATIONAL BONDS

Large issues for Italy and Sweden pass a severe test

BY STEPHEN FIDLER IN LONDON

THE EUROBOND market came in for a severe test last week and by common judgment passed it. Two big issues, one raising \$1bn of three-year money for Italy and one \$350m of five-year funds for Sweden, were brought to market without dire consequence.

Both were for the right kind of borrower and priced sensibly at about 80 basis points above the US Treasury yield curve, enough to encourage switching into the new issues by holders of seasoned bonds.

While the results of this were encouraging, it remains to be seen whether over the longer term the issues will be able to continue to access the market.

Such issues are undoubtedly important to borrowers, but it is clear that even well-priced deals such as these of last week make little money even for the lead manager.

Since even the best of the bonds generally fall straight to a level equivalent to their fees, it means

those firms lower down the pecking order, earning less than total fees, are sitting on an instant loss. This is particularly true if any of the underwriting commission is taken up in support of the issue.

That's fine when rising bond markets turn the subsidy into a trading profit, but not so good when the markets, as now, are going downhill. What is worse, dealers say their hedges of inventories of Eurobonds are increasingly ineffective because of the way yield spreads between Eurobonds and government bonds have widened.

Unfortunately for issuers and dealers, the profile of the buyers has changed. One syndicate manager at a European bank reports demand from his retail clients has dropped by two-thirds since early in the year.

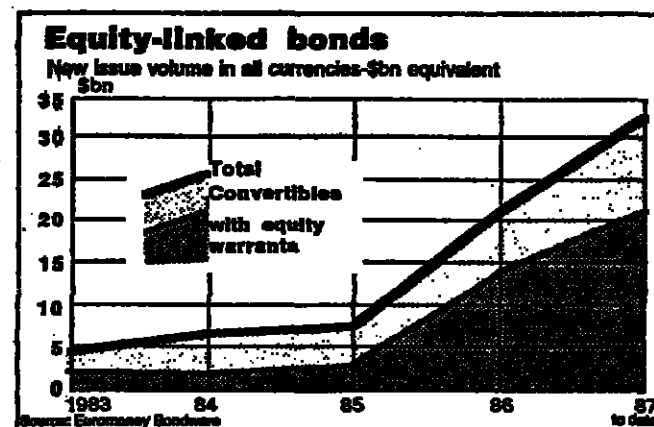
The most significant buyers of bonds now, he suggests, are asset-hungry banks, which can gain a significant yield pick-up compared

with short-term funding alternatives. But banks, reliant on deposit roll-overs, are not too dependable as long-term investors.

But the most important problem facing the bond markets seems to be the lack of demand for bonds among institutional investors and their contrasting enthusiasm about shares - the "equity cult".

This has an international dimension, but some illuminating statistics have been assembled by Mr Stephen Lewis, of the UK stockbrokers Phillips and Drew, who has been studying the behaviour of the UK investment institutions.

In 1980, according to Bank of England figures, 31.2 per cent of UK life assurance fund portfolios were held in the form of fixed interest securities, a figure which had dropped by 1984 to 27.2 per cent. Mr Lewis estimates that at the end of 1986, this had shrunk to 23 per cent. The figures for private pension



funds are even more dramatic. From 25.1 per cent held in fixed-interest bonds in 1980, some 18.6 per cent in 1984 and Mr Lewis estimates this had dropped to 13 per cent by the end of last year.

These institutions were net sellers of gilt-edged stock in the fourth

quarter of last year and first quarter of this year. "There is only one precedent for this in living memory, in a single quarter of 1974," he says.

The decline in the proportions has been partly involuntary, due to rising share values. However, "1986's fall in the fixed interest pro-

portion was clearly voluntary. Institutions... could hardly wait to get the proportion down further," he says.

If there is hope for bonds, it is the premise that their fall from fashion must be based on the belief that there will not be a recession associated with a fall in inflation rates. Even if the combination is not the most likely forecast, there might be some sense for investors to insure against the possibility.

Meanwhile, as the chart shows, the appetite of former Eurobond investors for equity-related bonds continues formidable and on Friday, two more convertibles for UK companies were launched.

The two issues seem likely to revive the debate on these pre-emptive rights, under which UK shareholding institutions insist they get first shot at any issue of equity beyond a 24 per cent limit. (There is a 10 per cent limit for vendor placings.)

BNP unit plans issue to raise FF1.36bn

By Our Paris Staff

COMPAGNIE d'Investissements de Paris, the quoted investment subsidiary of state-owned Banque Nationale de Paris, plans to raise FF1.36bn (\$226m) in new capital, just two months after its flotation on the Paris stock exchange.

CIP plans a one-for-three rights issue, which will involve the issue of 4m new shares at FF150, each carrying a warrant to subscribe for a further share at FF190 from the beginning of next year until the end of November 1989.

The first stage of the operation will therefore raise FF590m of new funds, and the second stage could bring in another FF770m if all the warrants are exercised.

BNP, which directly and indirectly controls 80 per cent of CIP, plans to take up its rights.

The CIP portfolio includes the main quoted shareholdings of the BNP group such as a 3.9 per cent stake in Cerus, the French holding company of Mr Carlo De Benedetti, and 6 per cent of the sugar and foods group St Louis.

The board said CIP's portfolio was worth FF250 a share at the end of August, compared with FF240 a share when it was floated in early July.

CIP received new capital from its parent earlier this year, before its flotation, but this money was quickly invested in new participations and the company had to sell off some of its bond portfolio in order to provide further liquidity.

The company brought together some of the major equity stakes held directly by the parent BNP bank and the larger holdings of Banex, its investment banking and venture capital subsidiary.

INTERNATIONAL CREDITS

American Airlines seeks further \$500m

BY ALEXANDER NICOLL IN LONDON

AMERICAN AIRLINES, which has raised two loans totalling \$500m in the Euromarkets over the past two years, is returning for a further \$500m through a revolving credit.

Bank of America, which led the previous two transactions, will be hoping to retain the franchise on the new deal. A number of banks have been asked, however, to make proposals and some are forming themselves into groups. Price competition will be keen.

The \$300m deal arranged in 1985 was for seven years, last year's \$200m facility was for six years, and the new revolving credit is expected to be for five years, with a

facility for extension at the banks' option.

Both the previous deals had split margins, the first rising from 12½ to 17½ basis points after five years and the second rising from 17 to 22 after four years.

In Paris, Banque Nationale de Paris has been mandated to arrange a \$800m multi-option facility for Saint-Gobain, the French industrial conglomerate. Five banks are believed to be co-arranging the deal but terms had not emerged by the weekend.

The deal is to be for five years, with a possible extension to seven, and is likely to incorporate margins over both Paris and London inter-

bank rates.

Ireland is catching on to the European currency unit. On Friday an official was quoted as saying that the country plans an Ecu bond on the domestic market. Meanwhile Allied Irish Banks, a leading Ecu trader on the foreign exchange market and a member of the expanded Ecu clearing system, is to have an Ecu 100m Euro-certificate of deposit programme. Shearson Lehman Brothers International will be the sole dealer.

Shearson has also been added as a third dealer on a Eurocommercial paper programme for Forstia Sparbanken, which is being increased from \$200m to \$300m.

EUROMARKET TURNOVER					
Turnover (\$m)					
Primary Market	Straight	Conv	FIN	Other	
US\$	2,280.0	321.9	13.4	5,867.2	
Yen	1,211.7	244.3	330.9	5,914.9	
Other	1,062.3	948.0	—	26.5	
Prv	758.6	0.6	—	26.6	
Secondary Market					
US\$	24,855.9	2,061.4	11,574.8	5,206.4	
Yen	19,888.6	1,704.2	7,870.0	4,702.9	
Other	21,773.2	1,893.3	5,482.5	24,008.3	
Prv	16,945.6	948.7	4,888.6	11,197.4	
Credit					
US\$	15,716.1	36,191.9	—	61,908.0	
Yen	12,821.5	29,577.0	—	41,808.5	
Other	10,889.2	35,218.5	—	35,088.8	
Prv	14,288.7	18,594.0	—	32,882.7	

Week to September 17 1987 Source: AIB

Pressure for Frankfurt centre

BY HAIG SIMONIAN IN FRANKFURT

LAST WEEK'S statement by Mr Michael Glos and Mr Hermann Otto Solms that "a financial futures market must be set up as quickly as possible" in Frankfurt, undoubtedly came as music to the ears of West German bankers keen to boost the country's standing in the securities business and to prevent the drift of trading abroad, notably to London.

For the speakers were none other than two leading financial figures in West Germany's ruling coalition parties.

Their remarks showed that the campaign to set up a new German options and futures market, launched earlier this year, is beginning to gather political momentum as policy-makers drift back to Bonn for the new parliamentary session.

Politicians are essential if the scheme is to get off the ground. Legal changes, notably to the country's stock exchange law, as well as a clutch of other tax and investment measures, are key requirements.

By comparison, the DM60m (\$33m) or so for computer hardware and software for the planned new market and for teaching German traders to become market-makers is a more straightforward matter.

The backers of the new venture are certainly pulling out all the stops. Mr Wolfgang Roeller, chief executive of Dresdner Bank and present chairman of the Federal Association of German Bankers, has been busy putting those views across. A private briefing last week showed Mr Roeller's justifiable en-

thusiasm for the project, stoked partly no doubt by his own background on the securities side. Even the press is being courted.

But politicians the world over are seldom renowned for their speed, while experience in the UK, and even the US - the home of futures and options - has shown they can be notoriously slow when it comes to so complicated and potentially emotive an issue. And Germany is not a country where a word like "speculation" is bandied about easily.

In a country where - so the old cliché goes - the big banks are supposed discreetly to hold the reins of power, it will be interesting to see how quickly the required legal amendments come about.

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 Morgan Guaranty Ltd

Credit Suisse First Boston Limited
 Morgan Stanley International

Banque Bruxelles Lambert S.A.
 Baring Brothers & Co., Limited
 EBC Amro Bank Limited

Banque Paribas Capital Markets Limited
 Commerzbank Aktiengesellschaft
 Samuel Montagu & Co. Limited

Union Bank of Switzerland (Securities) Limited

Julius Baer International Limited
 Banca della Svizzera Italiana
 Compagnie de Banque et d'Investissements, CBI
 Leu Securities Limited
 Swiss Volksbank

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NIB

Dkr 450,000,000

Nordiska Investeringsbanken

(Nordic Investment Bank)

Dkr 150,000,000

10½% Notes Due February 1991

Dkr 300,000,000

10½% Notes Due February 1994

Salomon Brothers International Limited

Den Danske Bank

Privatbanken A/S

Bank Brussel Lambert N.V.

Banque Générale du Luxembourg S.A.

EBC Amro Bank Limited

Algemene Bank Nederland N.V.

Banque Internationale à Luxembourg S.A.

Crédit Communal de Belgique S.A.
 Gemeentekrediet van België N.V.

Den norske Creditbank Group

Generale Bank

Kansallis Banking Group

Nederlandse Credietbank N.V.

Rabobank Nederland

Svenska Handelsbanken Group

Westdeutsche Landesbank Girozentrale

New Issue

This announcement appears as a matter of record only.

September, 1987

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Higher taxes, weak television division erode net profits by 5.9% at John Fairfax

BY CHRIS SHERWELL IN SYDNEY

HIGHER TAXES and a weaker performance by the television division have cut net earnings for John Fairfax, the Australian media group in the year to June.

The company, which publishes the Sydney Morning Herald and the Melbourne Age, is controlled by the Fairfax family. Mr Warwick Fairfax is currently seeking to take the company private through a takeover offer.

The results showed a 13.7 per cent increase in overall sales to A\$935m (US\$683m) and a 9.1 per

cent rise in pre-tax earnings to A\$80.9m. But after-tax profits dropped 5.9 per cent, from A\$44.8m to A\$42.2m.

The group said tax expenses increased 33.4 per cent to almost A\$38.5m because of the rise in corporation tax, fringe benefits tax and reduced claims for investment allowances.

The television division's contribution to profit showed a "severe decline," the group said. Programme costs rose and the Melbourne Channel Seven station, which was

bought and sold during the year, showed a "small loss."

A decline was also reported from the Macquarie Broadcasting radio group because of high satellite costs.

Improved performances came from most of the group's print media operations - not only the Herald and the Age, but also the Australian Financial Review and the business and general interest magazines.

The group's extraordinary profits showed a handsome increase from A\$21.6m to A\$91m, thanks largely

to a A\$96m dividend from Australian Associated Press arising from the sale of shares in Reuters.

Costs associated with the acquisition of the Channel Seven station in Melbourne were treated as an extraordinary item. Funding costs were A\$15.8m, and the loss was A\$8m net of tax.

Directors said the result was satisfactory and announced an increased dividend, fully franked, of 3.25 cents, equivalent to 18.75 cents on pre-bonus issued capital. Last year's dividend was 12.5 cents.

SEB profits more than double in first half

By Our Paris Staff

SEB, the leading French producer of household electrical equipment, more than doubled its profits in the first half of the year and expects net earnings for the full year to rise by 30 per cent.

Pre-tax profits plus depreciation totalled FF170.4m (\$28.3m) in the first six months, compared with FF79.3m in the same period of last year. Operating profits were two and a half times higher than last year at FF156.8m.

Mr Emmanuel Lescure, chairman, said the group's key products had all made headway. Total sales and calor steam irons had both taken more than 50 per cent of the French market in the first half, while SEB had gained between 6 and 15 percentage points of market share with its kitchen processors, waffle makers, coffee machines, portable ovens, chip-friers and toasters.

Sales in the US and Japan had increased by more than 40 per cent in local currency terms, Mr Lescure said, while in West Germany, SEB's third overseas priority, sales had remained flat.

In Italy, where the group decided to reorganise its distribution practices in order to reduce excessively long payment periods and had to take back some stocks, sales fell by 20 per cent. But Mr Lescure said this did not reflect a change in consumer demand for SEB products.

In total, overseas sales of SEB's subsidiaries rose by 3 per cent in Europe and by 30 per cent outside Europe, but sales to its agents fell by 12 per cent.

NEW INTERNATIONAL BOND ISSUES									
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Buyer	Offer yield %		
US DOLLARS									
Sanyo Aluminium 1 1/2	70	1992	5	3 1/4	100	Daison Europe	2.250		
Tokyo Reinsurance 1 1/2	25	1992	5	3 1/4	100	Daison Europe	2.250		
Sakai Jushi 1 1/2	30	1992	5	3 1/4	100	Honma Int.	2.250		
Nagoya Chemical 1 1/2	50	1992	5	3 1/4	100	New Japan Secs.	2.250		
Shimizu Ind. 1 1/2	35	1992	5	(a)	100	Yamachi Int. (Eur)	2.250		
Ind. 1 1/2	110	1990	3	8	100 1/2	CSFB	8.803		
A. I. Williams Corp. 2 1/2	70	2002	15	4 1/2	100	Nippon Credit	4.500		
World Bank (b) 1 1/2	750	1987	10	8 1/2	99 1/2	Merrill Lynch	10.101		
Jets II (c) 1 1/2	55	1992	5	2 1/2	100	Nippon Credit Int.	-		
Flank One (d) 1 1/2	50	1992	5	2 1/2	100.1	Nippon Credit Int.	-		
Nippon Credit Bank 1 1/2	100	2002	15	(1 1/4)	100	Nippon Credit Int.	-		
Nippon Credit Bank (a) 1 1/2	50	2002	15	(1 1/4)	100	Nippon Credit (HK)	-		
Sweden 1 1/2	350	1992	5	8 1/2	101 1/2	CSFB	8.301		
Koppel Corp. 1 1/2	75	1987	10	(2 1/2-3)	100	Morgan Guaranty	-		
Chenier VI (a) 1 1/2	100	1992	5	2 1/2	100	Morgan Guaranty	-		
Stanley Electric 1 1/2	180	1992	5	(3 1/4)	100	Daison Europe	-		
CANADIAN DOLLARS									
Exxon Canada Fin. 1 1/2	80	1992	5	11 1/2	101 1/2	URS (Euro)	11.003		
City of Winnipeg 1 1/2	75	1992	5	11 1/2	101 1/2	Morgan Guaranty	10.940		
Food Credit Canada 1 1/2	100	1992	5	11 1/2	101 1/2	Goldman Sachs	10.930		
AUSTRALIAN DOLLARS									
Nippon & Co. Fin. 1 1/2	50	1992	5	(a)	100.15	New Japan Secs.	-		
NEW ZEALAND DOLLARS									
Metallgesellschaft Fin. 1 1/2	200	1988	2	17 1/2	101 1/2	Merrill Fin. Int.	16.500		
Group Bruxelles Lambert 1 1/2	50	1990	3	17 1/2	101 1/2	Compt. Paribas	16.500		
D-MARKS									
Metallgesellschaft Fin. 1 1/2	200	1987	10	6 1/2	125	Deutscher Bank	2.400		
Central Bank of Turkey 1 1/2	200	1992	5	7	100	Commerzbank	2.500		
ECB 1 1/2	200	1992	5	5 1/2	100 1/2	Deutscher Bank	2.500		
SWISS FRANCS									
Exxon Int. Corp. 1 1/2	70	1992	-	1 1/4	100	Credit Suisse	1.120		
W. Electric Europe 1 1/2	150	1994	-	5 1/4	100	HSB	5.120		
Exxon Corp. 1 1/2	30	1992	-	(1 1/4)	100	SBC	-		
Group Andre Perry 1 1/2	250	1995	-	5 1/2	100	Barings Indonesia	5.100		
Denmark 1 1/2	50	1992	-	3	100	Chase Manhattan Bk.	3.500		
ECB 1 1/2	100	1989	-	4	100	Credit Suisse	4.000		
FRENCH FRANCS									
SEB 1 1/2	1.500	1999	12	9.50	98.04	Société Générale	10.100		
DANISH KRONER									
Exxon Int. Corp. 1 1/2	500	1994	7	10 1/2	99 1/2	Priority Bank	10.520		
Merrill Ind. Bank (b) 1 1/2	400	1992	5	10 1/2	100	Merrill Lynch	11.000		
ECUs									
Exxon Int. Corp. 1 1/2	100	1992	5	8 1/2	101 1/2	CCF	7.702		
STERLING									
TMC Wagon Secs 3 (f) 1 1/2	100	2015	5-7	3 1/2	100	Salomon Brothers	-		
Waco Plc (b) 1 1/2	100	2003	10 1/2	5 1/2	100	Salomon/Brook & Phipps	5.750		
London Int. Group 1 1/2	50	2002	14 1/2	4 1/2	100	CSFB	4.500		
Exxon Int. Fin. 1 1/2	50	1993	5 1/2	11	101 1/2	Chase Int. Bank	10.053		
London Int. Group 1 1/2	100	1994	7	(1)	100	Barings Brothers	-		
YEN									
Exxon Canada Fin. 1 1/2	400	1987	10	6.3	98.05	Daison Europe	5.440		

* Not yet priced. † Final terms. ‡ With equity warrants. § Convertible. ¶ Floating rate note. †† With currency payments. ** Private placement. ††† Currency-linked. (a) 3-month Australian bank bill rate less 45bps. (b) Launched on US domestic market. (c) 2 1/2bps over the 10-year. (d) 2 1/2bps over the 10-year. (e) 1/2bps over the 10-year. (f) 1/2bps over the 10-year. (g) 1/2bps over the 10-year. (h) 1/2bps over the 10-year. (i) 1/2bps over the 10-year. (j) 1/2bps over the 10-year. (k) 1/2bps over the 10-year. (l) 1/2bps over the 10-year. (m) 1/2bps over the 10-year. (n) 1/2bps over the 10-year. (o) 1/2bps over the 10-year. (p) 1/2bps over the 10-year. (q) 1/2bps over the 10-year. (r) 1/2bps over the 10-year. (s) 1/2bps over the 10-year. (t) 1/2bps over the 10-year. (u) 1/2bps over the 10-year. (v) 1/2bps over the 10-year. (w) 1/2bps over the 10-year. (x) 1/2bps over the 10-year. (y) 1/2bps over the 10-year. (z) 1/2bps over the 10-year. (aa) 1/2bps over the 10-year. 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FINANCIAL TIMES SURVEY

Advances in technology offer some consolation to those fighting crime against companies.
Alastair Guild looks at controlling access to buildings, computer crime, international counterfeiting, shoplifting, security consultants and the role of the insurance companies.

Race to run against crime

CRIME IS not unlike the arms race. It is a well proven axiom that, as soon as a new technique for combating the criminal is found, the criminal starts work on circumventing it, and so the spiral continues. More recently, crime has become increasingly internationalised, making prevention, detection and prosecution of criminals yet more difficult.

Advances in technology now offer some consolation to those fighting corporate crime. They lengthen the cycle time within that crime "race", though it is a frequent gripe within UK security companies that British industry and commerce is generally slow to take up and apply new ideas. In the US, security and its implications for overall company operations are frequently considered at board level. In Britain, it is said, companies often do not think of security and commit funds until the worst has happened.

But advances in technology have also created new and extremely profitable opportunities for dishonesty. It is estimated, for example, that 70-80 per cent of fraud in the UK now involves the electronic movement of funds. One expert has suggested, in a Domesday scenario, that the entire capital base of a clearing bank could disappear overnight. Just as

those scientists who first split the atom seemed unable to foresee the damage, as well as the good, that such a giant leap could do, so are we only now waking up to the havoc that uncontrolled technology can wreak.

Some of the benefits of technology can be seen best in the way that access control has developed. According to Jordans' latest review of Britain's Security Industry, the access control market is growing at 33 per cent per annum and the indications are that this is likely to continue.

Security companies are now offering modular solutions, possibly starting with a stand-alone, single access system for £50 or so, building up to a network of gates, all monitored and controlled by a host computer which, at the same time, is collecting and analysing management data and monitoring and intruder and fire alarms, CCTV and perimeter lights can also be built in. The software which drives the system can be finely tuned to meet a company's security requirements.

There is, it seems, no limit to the number of terminals, and consequently cards that such a system can handle. The world's largest access control network is at the National Institute of

Health in Washington DC which has 800 readers connected up, reading a total of approximately 20,000 cards. The largest UK system, operated by a pharmaceutical company in the North of England, has 250 reader terminals linked in.

The cards used by company personnel to gain access to a building are themselves becoming more sophisticated and difficult to circumvent.

The amount of information that can be built in and the consequent level of security are increasing.

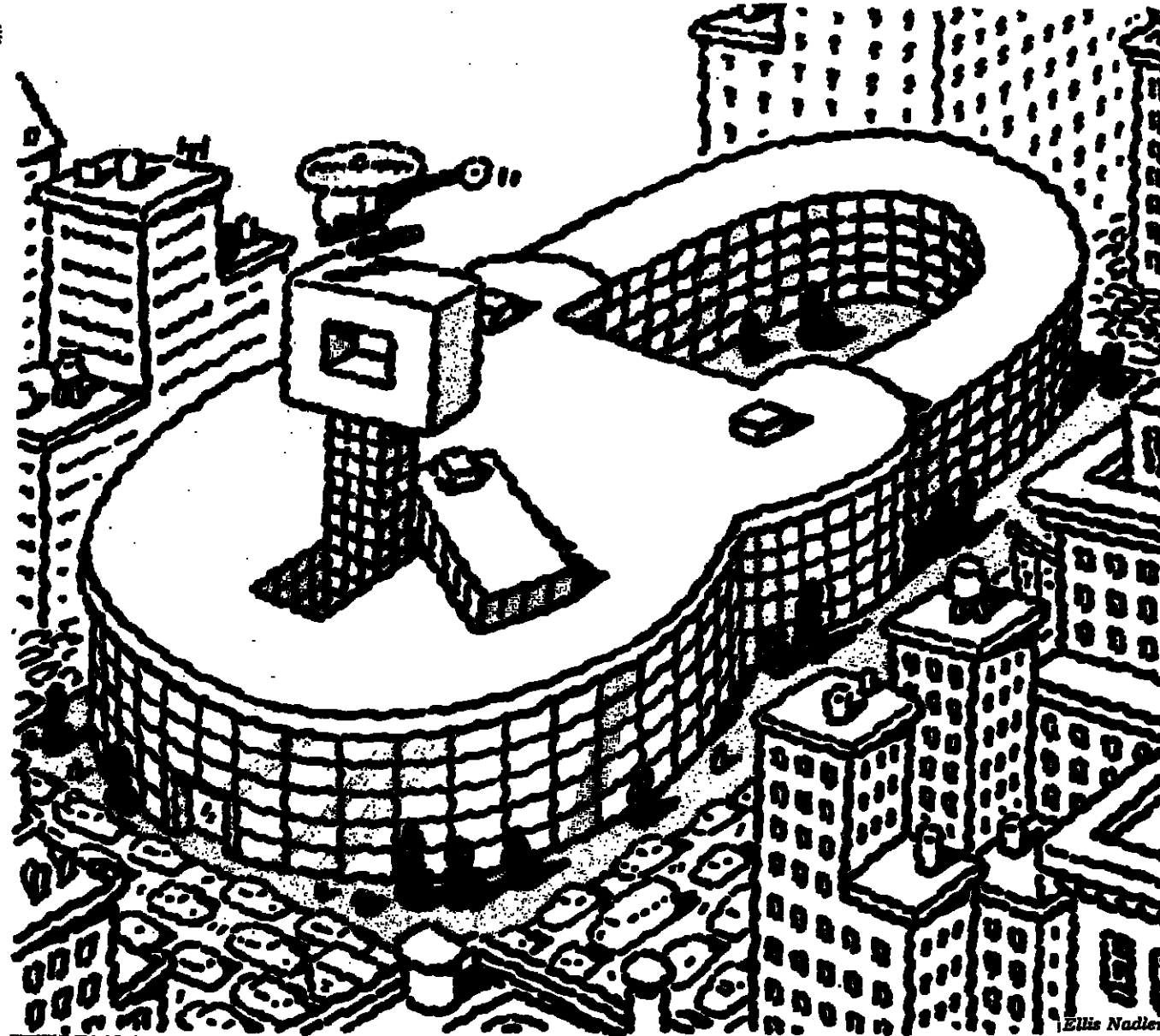
The duties of the uniformed guard are also changing in line with new technology. Guards are now being trained to monitor and respond to signals, not just from alarms, but from a wide range of devices controlling the service functions within buildings.

Computers, on the other hand, provide a vivid illustration of technology developing several steps ahead of our ability to retain control. Only now are the institutional and technological safeguards starting to catch up with the criminal element.

The formation earlier this year of a computer forum within the CBI shows a growing level of awareness of the damage that computer crime can cause, particularly with the distribution of data handling around networks both within and outside a company.

The Stock Exchange Securities Association, which co-operates with the City and Metropolitan Police Fraud squads and the Serious Fraud Office,

CONTENTS	
Securing premises: Linking up alarms to communications centres	Controlling entry: The latest advances in identification
Patrolling: Changing role of the guard	Computer fraud: Significant advances against computer crime
Bugging: Miniature transmitters can be bought quite openly	Security printing: Reputation for confidentiality remains intact
Bodyguards: Emphasis is on prevention and crisis containment	Insurance companies: Discounts unlikely



Corporate Security

around the world and so cover his tracks. Counterfeiting is another manifestation of this trend. The faking of manufactured goods is now a world-wide industry, amounting by some estimates to some £200m each year or 3 per cent of world trade. The Far East-Taiwan in particular—is the leading source of counterfeit goods.

A Counterfeiting Intelligence Bureau was set up by the International Chamber of Commerce just over two years ago to investigate infringements of intellectual property rights. The bureau has so far conducted over 80 investigations in 21 countries, handing everything from bottles of fake champagne to some £500,000 a month, to the case of a phantom jigsaw maker in Taiwan.

Procedures for ordering and supply to exclude "outsiders" from the distribution chain are suggested as one way of minimising the possibilities of infringement.

At the same time, better management procedures are considered vital in the fight against such crimes as retail theft, kidnapping and product extortion. Shoplifting, back-door and staff theft now cost retailers an estimated £1.5bn. Electronic article surveillance (EAS) was first used by Ms Selfridge in the early 1970s, and retailers are now spending millions of pounds each year on security devices, including loop alarms attached to goods and CCTV. But Mr Peter Jones, a retail security consultant, says that shops should carry out a complete review of existing procedures and "make the best of what they already have, before opting for more pieces of equipment."

Major advances have been made in reducing the size of security tags which are now available in bar code format. Companies are at present working to reduce the false alarm rate. Worldwide sales of EAS systems total some £200m annually and are growing at a compound rate of about 25 per cent a year. But, say some analysts, this is still scratching the surface of what could be a \$32n a year market.

Security consultants advising on kidnapping and extortion emphasise the need to prepare for such events, before they happen. One firm has drawn up a checklist for companies which might be a target for extortionists, giving the steps to be followed when a threat is received. The insurance industry is now stipulating that companies take, and act on, advice from security consultants before they will consider writing kidnapping and extortion policies. It is also insisting on a prescribed level of data security before insuring against computer crime.

The larger insurance companies are making their presence felt in the field of corporate security in general. In percentage terms, insurance company theft losses from commercial premises last year increased in line with household losses, up 14.9 per cent on 1985 at £78m.

According to the British Security Industry Association, insurance companies could play a greater role in setting standards in the security industry. Too often they do not insist on quality, fearing that a competitor may be content with a lower quality, lower priced service. This applies particularly to the manned services sector, believes Mr David Fletcher, BSIA's chief executive. However, the BSIA is itself proving to be a rigorous enforcement agency. An inspectorate monitors the financial probity of a company and standards of vetting. Mr Fletcher recently returned from discussing ways of keeping the para-military out of patrolling and guarding in Northern Ireland.

This year the association set up a security systems inspectorate to cover most aspects of design, manufacture, installation, maintenance and servicing. The central stations operated by security companies to monitor and respond to alarms will be carefully scrutinised also, to ensure they are secure. Some have been attacked. A recent example was a terrorist assault by bulldozer on a central station in Belfast, cutting all the cables. The terrorists intended to rob a tobacco warehouse while the station was immobilised, but were caught in the act.

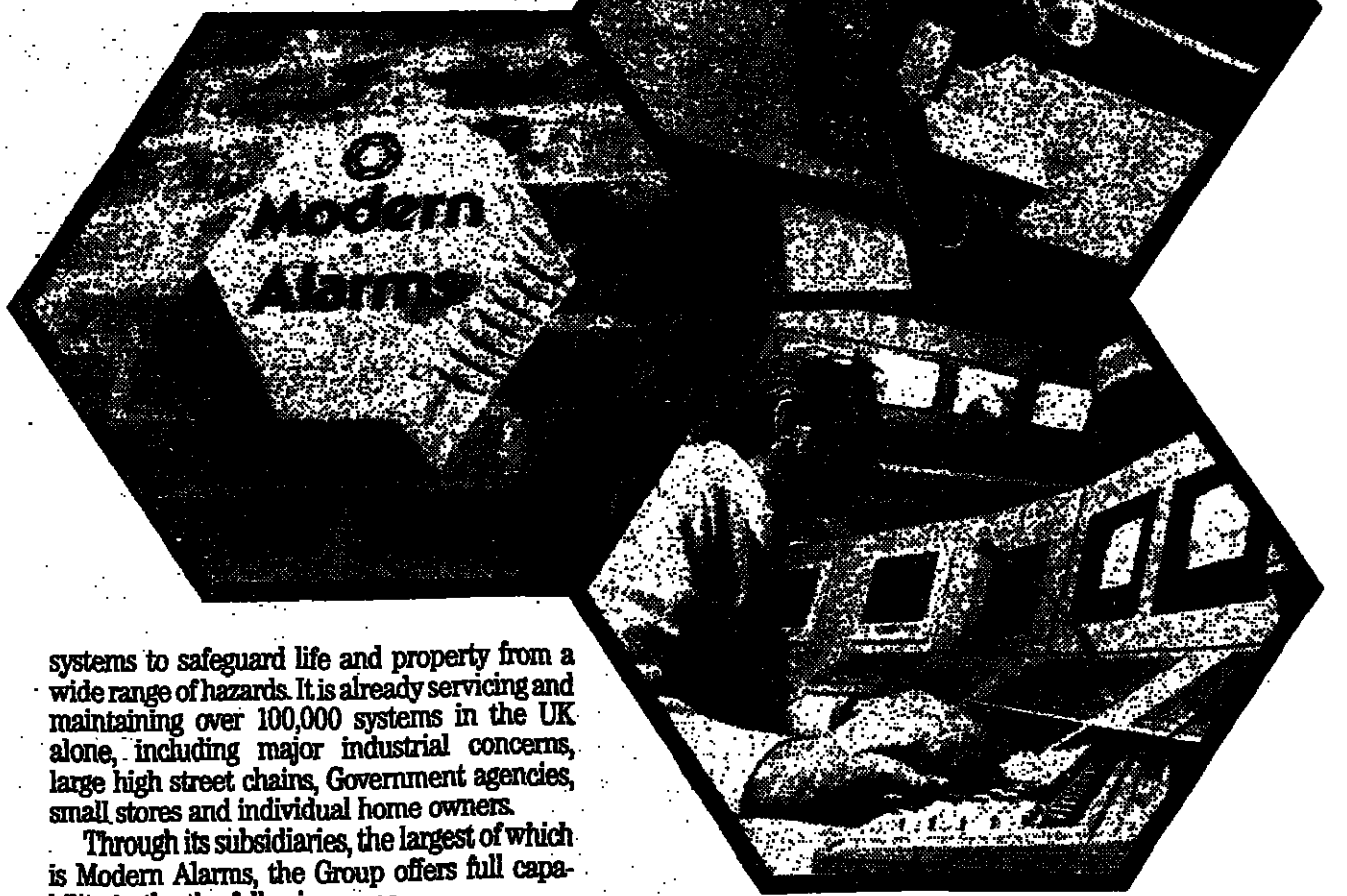
The BSIA is taking other steps to improve quality. Policing of the security industry is becoming vital as more companies set up in response to the growth in crime. ICC, in its Business Ratio Report on the security industry, forecasts the competition will be particularly strong in the service sector.

The Security Industry, ICC Business Ratios, 23/42 Barmer Street, London EC1Y 8QE.
 Jordans, Jordan House, 47 Brunswick Place, London N1 6EE.
 Frost & Sullivan, Sullivan House, 4 Grosvenor Gardens, London SW1W 0DH.

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THE WORLD IS OUR MARKET

CORPORATE SECURITY 2

Securing premises

Connections made to alarm

SHORT OF all-out war, the communications rooms of the major security companies will remain operational. Their high level of security is understandable since they are now the nerve centres for the alarm systems installed at many of the high-risk premises throughout the country.

Behind a hand-proof glass screen in a building just off London's City Road is Europe's largest communication centre, able to handle 50,000 alarm systems and capable of being extended. Over the past 18 months, the centre has been totally re-equipped at a cost of over £1m. Like Modern Alarms' network of centres throughout the UK and Eire, it is permanently manned. Over 40,000 customers have alarms connected to one of these centres, using either digital communications, direct line, or BT's Red Care System. A further 600 alarms are being connected every month.

At City Road, four staff and a resident technician are on duty at all times. During any 24-hour period, the centre receives over 800 telephone calls, and within 30 seconds, alarms are interpreted and the police and/or the customer notified.

At the heart of the centre is a twin computer system and "Brain". When an alarm is activated, details immediately displayed on the VDU screens include the name and address of the customer, the type of alarm, contact points and the customer's alarm history. Brain is Modern Alarms' own dedicated wire signalling system, handling some 3,000 connections.

Particularly high security premises like banks have dedicated land lines to these centres. But Chubb, which has seven communications facilities across the country, reports that banks are now looking at ways of cutting the costs of such links.

Chubb Alarms is one of the principal suppliers of alarms to National Westminster's branches, for example. NatWest already had its own data communications network, X25, connecting branches to its central computer. This is now being used to collect data from alarm systems at the computer centre. NatWest is the first bank to make use of this facility, but others are believed to be studying its feasibility.

According to Mr Anthony Record, chairman of the Britannia Security Group, the most significant advances in the area of alarms have been in monitoring and in the speed of response through computerised control stations. He believes that more than 50 per cent of the alarm industry is outside the British Security Industry Association and that many of these companies are unable to provide the measure of response offered by member companies. "I've talked to the chairman of large public corporations which have installed alarms using com-



Sonitrol's Fence Guard protecting stock

panies outside the BSIA," he says.

The technology for deterring or detecting intruders has come a long way. One system, developed by Pilkington, uses fibre optic alarmed tapes. Its Sabre tape fence is a screen of horizontal tapes controlled by an electronic loop box which transmits and receives light signals along each fibre optic in the fence. If any fibre is broken, an alarm is generated. A fence can be fitted with a combination of alarmed and dummy tapes to make up a low cost system.

Among its advantages, says the company, is that the fibre cannot be bridged like an electric wire and that it is immune to conditions which cause false alarms in electronic equipment. It can be alarmed in zones and interfaced with other perimeter security equipment.

An alternative solution is provided by Sonitrol. Its

Chubb Alarms is one of the principal suppliers of alarms to National Westminster's branches, for example. NatWest already had its own data communications network, X25, connecting branches to its central computer. This is now being used to collect data from alarm systems at the computer centre. NatWest is the first bank to make use of this facility, but others are believed to be studying its feasibility.

According to Mr Anthony Record, chairman of the Britannia Security Group, the most significant advances in the area of alarms have been in monitoring and in the speed of response through computerised control stations. He believes that more than 50 per cent of the alarm industry is outside the British Security Industry Association and that many of these companies are unable to provide the measure of response offered by member companies. "I've talked to the chairman of large public corporations which have installed alarms using com-

"The system must be both technically compatible and have a correct internal logic," he quotes the example of an external alarm system which included CCTV camera controlled light detection as one of its activators. The building was flooded by search lights each time the alarm went off, so when the operator tried to turn the alarm off and in the process switched off the search lights, the cameras detected the change in light level and automatically reactivated the alarm. "A classic, if extreme symptom of combined security products not properly integrated."

"Thirdly, the system must be designed to do what the user really needs. Where specialists are selecting multiple products for a single site it is vital that they consider every eventuality at the system design stage, not after installation."

Kilby-Tann specialises in the supply of ex-stock bullet resistant windows and bulk transfer units to enable items such as cash or computer tapes to be passed into and out of a secure area without opening a door or window. It was awarded the contract to manufacture and install access control booths for use by delegates, press and others requiring access to the Queen Elizabeth Conference Centre's conference facilities.

The company has developed an external security window which can be glazed with any thickness of glass up to 42 mm and is specifically designed for such applications as gatehouses, petrol stations or wages offices. A major consideration in the design was the vandalism problem on the external wall of premises," says Mr David Pennell, the company's security surveyor. The window has a flat profile on the outside to reduce the possibility of this.

"The construction of wall counters and doors to secure areas should always be designed in the first instance to resist a physical attack because while it is under attack, the effect on the structure and fittings than an armed attack."

Over the past 15 years, safe manufacturers have been adjusting to the changes in the way cash is handled. Chubb, for example, supplies high security safes usually deployed behind Automatic Teller Machines. Independently tested in Germany, they have developed into a significant market and the company has invested over £200,000 in new manufacturing plant.

Other areas of diversification have included fire protection cabinets, one product specifically designed to protect magnetic media which can be damaged at 177 deg F compared with paper's greater resistance of 350 deg F. These cabinets have been independently fire-tested, and some computer companies also recommend them.

Alastair Guld

Controlling entry

Looking them in the eye

CONTROLLING entrances, whether to whole buildings or sensitive parts of a building like computer suites, is exercising the minds of many in the security industry. The latest in technology is being brought to bear on what has become known as access control.

A great deal of research has gone into techniques which use our unique physical characteristics to confirm our identity, in short "biometrics". One example is the electronic fingerprint recognition system developed by scientists at Edinburgh University.

A full scale demonstrator of the device, which electronically matches a presented fingerprint against a memory store of "authorised" prints, will undergo field trials with the De La Rue Company, which has helped to fund work on the prototype.

The Eyedentifier, being marketed in the UK by Cardkey, offers another approach to controlling access, particularly for high security areas. It makes use of the fact that the pattern of blood vessels in the retina of the eye is even more special to each person than the fingerprint.

The device can operate in two modes, either recognition or verification. In recognition mode, it compares the pattern of the eye presented to it against any eye records held in any one memory, a maximum of 1,200, until it finds a match. Alternatively, it carries out a one to one match, comparing the eye allocated to a Personal Identification Number in its records with the eye presented.

The speed of throughput is greater than with other biometric devices, says the company, and compares very favourably with card based systems of access control. Even if it had to search through the entire record of eye patterns, it would still take up to only six seconds to make the comparison and authorise or deny entry.

As technology advances, it will be possible to incorporate unique identification features such as finger or retina prints in smart cards. At present they use Pin numbers. A major innovation in the field of electronic access control is infra-red com-

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communications. This concept, patented by Newmark Technology, is based on a unique method of two way dialogue between a door controller and a hand held device called a commander.

The authorised user approaches a door and activates his commander which holds information about his identity. The commander transmits an optical "wake-up" code to a reader which is connected to a door control unit inside the secure area.

The reader is programmed with information about those individuals who are allowed entry, and responds by sending a signal of its own to the commander. If this signal is acceptable, the commander will re-

spond with a further code of its own which, if accepted by the reader, will unlock the door.

The entire exchange takes 70 milliseconds to complete, and the access code signals exchanged by the commander and controller change randomly with every successful entry operation. Any attempt to break the codes results in their destruction.

Honeywell Bull has recently entered the smart card market with CPSS, a system which not only ensures positive bearer identification but can also maintain its own history of use.

The company has also adopted the concept of access control as a management tool, or "event management". Every time a door is opened, the opportunity is created for information gathering and storage in a computer. In an emergency situation, for example, the whereabouts of every single person in a building can be established.

A composite, photographic identity card or badge is still one of the most accepted secure and versatile forms of identification available. Polaroid claims to have pioneered this technology more than two decades ago.

Polaroid ID-3 systems produce the PhotoSecure card, in which the subject's face and data are photographed simultaneously on a single sheet of Polaroid Land Film. Then, by

applying pressure and/or heat, the sheet containing the portrait and data is encapsulated in clear, durable polyester or vinyl identification laminate.

The laminate forms a molecular bond with the film sheet, which makes the finished photosecure card virtually impossible to alter without detection.

Thorn Security has recently expanded its range of Passguard access control systems with Passguard 1, based on a small, uniquely coded tag containing a low-power frequency transmitter. Tags can be worn like a badge, carried in a pocket or handbag, attached to keys or to the front of goods vehicles.

The receiver, known as a "reading head", picks up the tag signal, confirms the authorisation code and if the signal is correct, releases the locking mechanism. The radio frequency signals used by Passguard 1 can pass through non-metallic materials, allowing readers to be concealed behind a wall or panelling if required.

The system can operate in a stand-alone mode, controlling up to eight doors and with a population of up to 255 users, but it can also be integrated with Passguard 3, Thorn's card-based access control system designed for medium to large-scale applications.

Up to 255 different access levels may be allocated to individuals or groups, to restrict entry to sensitive areas. Optional features include time zoning to allow access only during specified times, and event logging for recording all access movements.

Boris Sedacca

Patrolling

Changing the guard's role

THE DAYS of the archetypal nightwatchman are over. In his place has come a security guard able to monitor and act on signals from the latest in technology. Gradually, but inevitably, technology will itself take over some of those duties, though, for the time being, the demand for patrolling and guarding services continues to grow.

Government and industry, which up to now may have provided security in-house are increasingly contracting out. While it is unheard of these days, there is no longer to be some uniformed presence at such special events as sporting occasions, exhibitions and conferences. The uniformed guard is more and more evident in supermarkets and hypermarkets also.

"We have had to look at different criteria for training and retraining to be able to respond to customers' requirements," says Mr Henry McKay, managing director of Securicor. "Quite often these can change from day to day. If he simply wants a static guard then we'll supply that. If he needs someone to use sophisticated electronic equipment, we can provide that."

Security companies offer what Mr Michael Moyson, commercial director of Reliance Security, describes as "an eyes and ears service. We are constantly in touch with the customer. Technology has made the job of guards much simpler but more interesting. The more you can build into a job specification, the better. It can be difficult to keep them motivated while, at the end of the day, not very much happens."

At the last two Conservative Party conferences, and at last year's Labour Party conference, following a review of arrangements in the aftermath of the Brighton bomb, Securicor personnel checked everyone entering the conference building using rapid scan equipment and body searches and screened baggage with X-ray equipment.

The guard's role has changed in other ways. "In supermarkets and hypermarkets, his is not just a theft prevention or thief catching job, but he is more and more expected to help in the smooth running of the store because fewer shop assistants are about to help customers," says Mr Philip Sorensen.

Company annual general meetings are another growth area. The security company will organise a sweep of the premises for bugs, for instance, and seal off the building once the sweep has been carried out. It will also check the credentials of shareholders where companies feel vulnerable to disruption by animal rights or other pressure groups.

Industry, as is seeking to improve its overall competitiveness, is becoming increasingly aware of the benefits of using contract security, says Mr Moyson. Last financial year, Reliance, which is exclusively a patrolling and guarding company, reported a 25 per cent increase in business and predicts the same growth this year.

Companies should see savings of 25 per cent in manpower costs by contracting out, since they will no longer need to employ surplus staff to cover sickness and holiday periods.

Security companies carry out recruitment, training and supervision, allowing a customer to get on with its core business. Contracting out gives a company more flexibility in introducing new security equip-

ment, since it will not involve expensive redundancies.

Many new security companies have set up on the strength of the market potential. Not all of them operate to high standards, and perhaps that is why some are able to offer a cut-price service. The British Security Industry Association, concerned at the possible implications for the industry's reputation, has set up a manned services inspectorate to monitor the financial viability of companies, the training provided, and the vetting standards for employees.

The larger security companies trace an applicant's employment record back 30 years, or since he has left school. They investigate any gaps. "That can be an expensive business. The thoroughness of that investigation often marks out the reputable security company," says Mr Moyson.

As with patrolling and guarding, technology has had an impact on the transport of cash. There have been major advances in the construction of vehicles, and micro-processors are now being used to control their security features. Likewise, training has become more rigorous, as the number of attacks on vehicles increases, averaging one for every working day. Fifty per cent of these are carried out with firearms.

Security companies report an increasing demand for cash handling services. Group 4, with 350 cash carrying vehicles and 1,000 employed in cash-in-transit, reports a 30 per cent growth last year and expects a similar rate of expansion this year.

But, like Group 4, Securicor, with 1,500 armoured vehicles on the road every day, and 5,000 employed in this service, says that the market is changing rapidly.

Securicor now offers a cash processing service. Every year it collects £30m of cash from 6,000 customers outlets nationwide.

That cash is taken, not to a bank, but to one of Securicor's 60 cash handling centres. It is then checked and the bank advised

to credit that customer's account. At the same time, Securicor pays out £7.5bn to users of cash. "We agree on a matching situation with the banks, whereby we won't necessarily bank all the cash we receive. A major advantage is that it is done on the amount of cash carried 'across the pavement'," says Mr McKay.

"We supply customers with statements, similar to those provided by banks, saying 'I've credited you with £2m. These are the locations I've picked up from, the amount and these are the discrepancies I've resolved.' These statements are available either in hard copy or on-line from our computer."

The advent of automatic teller machines has also created new opportunities for security companies. Group 4 and Securicor have, for example, invested in machinery for sorting out notes for ATMs. These machines require you with £2m. These are the locations I've picked up from, the amount and these are the discrepancies I've resolved." These statements are available either in hard copy or on-line from our computer."

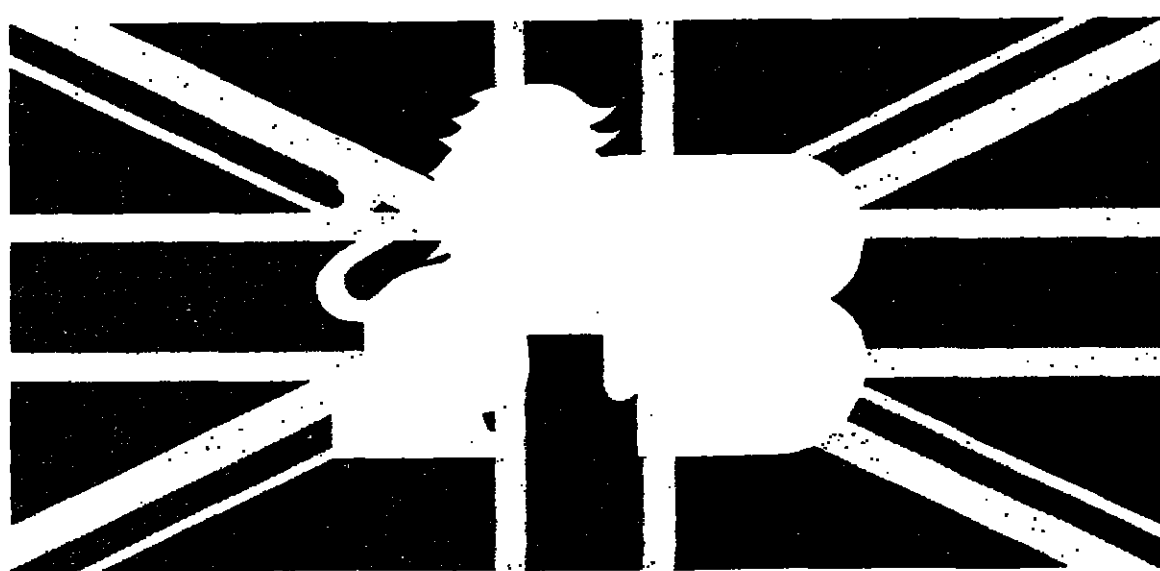
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"We sift through notes for those that meet the tolerance of ATMs, fill cassettes with cash and then load them into ATMs," says Mr McKay. Part-used or empty cassettes are removed, and simple maintenance tasks carried out on the ATMs. This includes taking readings from machines and returning jammed cassettes. The part-used or empty cassettes are reconciled for the customer.

Securicor extended its service recently with the introduction of Safelink. Customers can move cash or valuables around the UK five nights a week. Each vehicle has its own fire safe - tested by Lamesaire Fire Brigade for its resistance to damage by fire - for irreplaceable deeds and documents. These vehicles travel from secure area to secure area, with no stops on the way. Safelink is already being used for the transport of travellers' cheques, jewellery, drugs, and wages paid by companies nationwide.

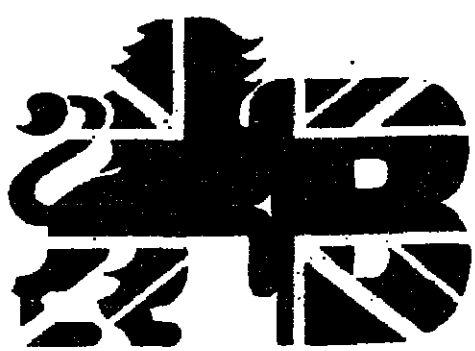
Alastair Guld

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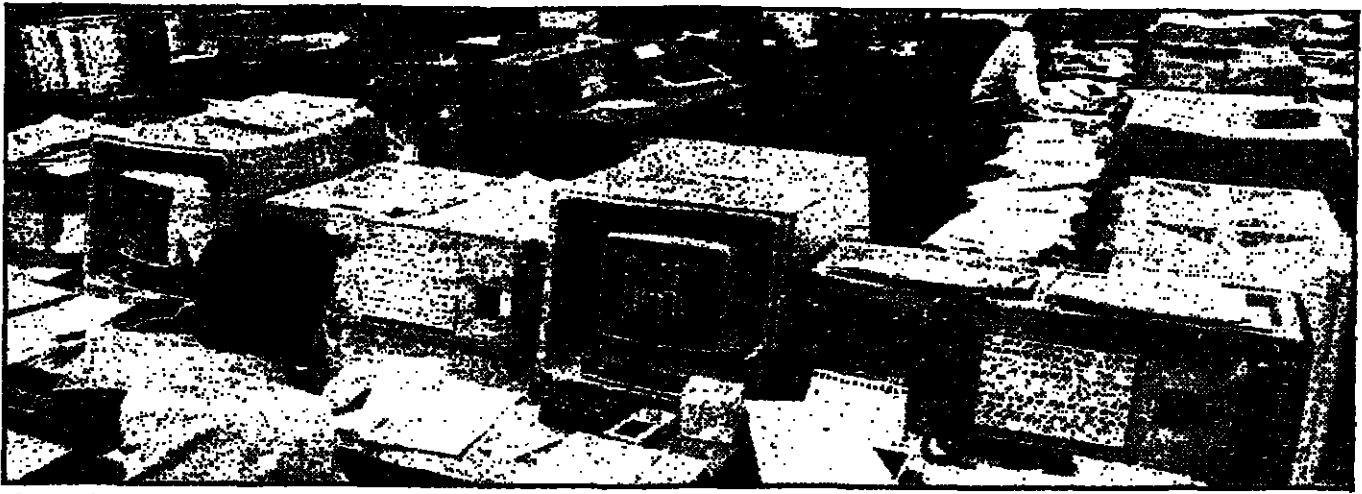
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Known losses from computer fraud reach £30m a year

Significant advances against crime



The greatest risk comes from a company's own employees

of equipment to provide the necessary shielding. Britain's Ministry of Defence has also relaxed its restrictions on defence contractors to offer such products to the business sector.

Devices to counteract the threat of hacking are now available. Hackers commonly gain access to a computer system by "guessing" a password. Rascal Guard and Computer Security have both developed personal authentication tokens to generate one time passwords. According to Mr Andrew Pawlowicz, head of the information systems group at Ernst & Whinney, such methods of personal authentication ought to be used much more.

With the growth of large computer networks, methods of ensuring that messages are not tampered with as they pass between a host computer and outlying terminals are receiving greater attention. The integrity of a message could be protected using a code based on the principle of message authentication. There are two options, says Mr Pawlowicz. The most cost effective solution for a large network would be "application dependent". A security module at the host computer would contain the encryption algorithm and would store the encryption keys and application program securely. The applications software would tell the host computer when a message needed to be encrypted and when to call on the host security module. Each terminal would need its own security module, which would interact with a personal authentication token. Some terminal manufacturers are offering an encryption algorithm built into the terminal.

Data in store can be encrypted also, so that only people with the right passwords or "key" can read them. "On a normal personal computer an office easier could sit down and pull off information, which, with the increasing power of stand alone terminals, can be highly sensitive," says Mr Pawlowicz.

Alastair Guild

ON DECEMBER 27 last year, an employee of a London bank was working in its SWIFT transfer room. SWIFT, the international electronic network used by all banks to transfer funds overseas, requires two passwords, the first to input funds and the second to confirm, or "release," that transfer. The employee, who already had custody of the release password, found the input password on a desk in the transfer room. Later that day he "withdrew" £25m. The bank discovered the illegal transaction on January 4 and traced the money as far as Paris. But there the trail disappeared. The employee proved just as elusive. However, Scotland Yard was not informed.

Known losses from computer fraud in the UK amount to between £25m and £30m annually. But that, says experts, is just the tip of the iceberg since many firms never report incidents for fear of the embarrassment and loss of confidence it may cause. What is more, computer fraud, which until now has posed the major threat to companies, is now being challenged by other forms of computer "crime". There is, as yet, little protection offered by the law, a matter now being reviewed by many bodies.

The Scottish Law Commission, for example, recommended in a recent report that it should be an offence to obtain unauthorised access to a program or data in a computer if the purpose is to inspect or damage programs or data with the intention of securing an advantage for oneself or another or of damaging another person's interests.

The report recommends a further offence of obtaining unauthorised access to a program or data and going on to damage

another person's interest by releasing or erasing a program or data. In the second offence the person does not have the intention initially to cause damage but achieves that result through recklessness. "The popular press becomes bemused by the antics of the small-time hacker. We've found that the greatest risk comes from a company's employees," says Sheriff Gordon Nicholson, commissioner with responsibility for criminal law matters at the SLC. "That's why we've framed the offence to catch both the person committing a crime at long range and the employee, someone with authorised access who goes beyond the limits of his authorisation, or someone with no access at all."

According to Mr Ken Wong, of the security and privacy division of BIS Applied Systems, there are four offences fast catching up on computer fraud: the potential of insider trading or industrial espionage is great. Using a low cost receiver with amplifier and tuner to pick up electronic pulses, information from VDU screens or printers can be monitored at a location outside a building. Such eavesdropping equipment, already demonstrated to be effective by an engineer working for the Dutch PTT, was used

to obtain information during a recent takeover battle.

There is likely to be a resurgence of "hacking," believes Mr Wong, following the successful appeal in the Court of Appeal last month by Gold and Schiffreen against a conviction under the 1991 Forgery and Counterfeiting Act. Judges and law lords still look at forgery and counterfeiting in the context of bank notes and cheques, when they should be applying it to electronic pulses. Juries are not in a position to decide on high technology issues based on limited experience.

The cases of fraud from ATMs (automatic teller machines) are on the increase. A criminal finds a wallet with an ATM card inside, but needs the holder's PIN (personal identification number). He rings the holder, saying he is from the police, and that he has found the wallet. Could the holder please give him his pin number to identify him as the owner of the wallet? Mr Wong says: "Nine times out of ten, the person will be in a panic, and divulge the number. The police officer will say that he has also told the card issuer to disable the card. In the meantime, he draws out money from the ATM."

PC floppy diskettes, sometimes containing vital company information such as marketing plans or product information, can be easily copied. One case involved a formula for the

flavouring of food products. The personal computer was kept in the research and development department. A member of staff made a copy which he then sold to a former member of the company working for the competitor.

A yet more insidious form of computer crime, highlighted by Professor Henry Baker, managing director of Rascal Guard,

is the "logic bomb". A software engineer, perhaps disgruntled because he has been given the sack, leaves a bomb in the system, possibly destroying part or all of the data base, or phones his former employer to say he has left a bomb in the system and if he does not pay up, the bomb will be detonated. And computers can catch a "virus". The effect is that any system that talks to the system with the virus catches it and can crash.

Mr John Snell, marketing director of Computer Security, argues that perhaps the greatest threat comes from passive computer crime. The very justification for the computer networks

now being used by large car manufacturers, for example, is that their sub-contractors and suppliers should have access to take off drawings or designs. From these, they design and manufacture parts. "The passive crime of hacking into someone else's data base has the virtue that you probably cannot be found out."

The implications of and possible solutions to computer crime across industry and commerce are now being more widely aired. The CBI, for example, has set up a computer forum where its members can discuss matters of concern. It is also likely to make recommendations to government on legislation it feels necessary. Lloyd's underwriters insist on data security before they will insure against losses from computer crime, while firms carrying out audits are starting to develop data security groups to advise clients on preventative measures.

It is the banks and financial institutions that have taken the threat of computer crime most

seriously and invested most heavily in prevention. According to a Frost and Sullivan study, Data Security Equipment and Services Market in Europe, the financial sector is expected to spend £28m this year on data security, rising to £176m in 1992. Interest was stimulated recently when Fru-Bache only just managed to avoid a loss from fraud of about \$6m. At present, it is estimated that most of the money being spent is going into improving hardware and physical protection, but "It seems likely that software systems will become much more important in the next few years."

"Security spending in the industrial, institutional and other commercial sector looks small at £26m for 1987, but markets for data security equipment and services are likely to grow fast as the main hazards and physical protection, for example, have fallen drastically in recent months and are currently attracting only an additional 20 per cent premium on the costs

that if they do not, they may well lose customers. In turn, there is more recognition among users that computer security must not be treated as an afterthought to systems design, installation and operation, but must be undertaken as an integrated activity from the outset."

Much of the responsibility for raising the profile of computer security rests with IBM, as the dominant player in the industry, claims Mr Snell. "The measures adopted by IBM so far are essentially software based which, he says, can be circumvented relatively easily. "Software solutions are not good enough any longer."

There have been significant advances, nevertheless, in the technology available to combat computer crime.

The costs of protecting against eavesdropping on electronic emanations from computer equipment, for example, have fallen drastically in recent months and are currently attracting only an additional 20 per cent premium on the costs

Bugging

Cleaners need clearing

EVERY DAY in the UK, as many as 200 million transmitters and recorders can be sold. Though some may be bought by bona fide private investigators, many end up in the hands of those hired to gather sensitive industrial information.

It was the bug in the boardroom of Davenport's Brewery during a £10m takeover bid last year by Wolverhampton & Dudley Breweries that first drew bugging to wide attention. The "bugger" was never found. As was pointed out at the time, there was little action that could be taken, even had his identity been discovered.

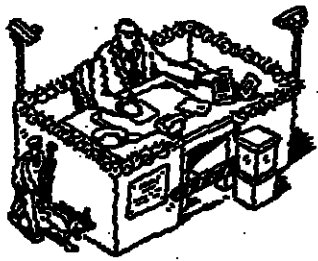
The law as it relates to bugging is principally to be found in the Wireless Telegraphy Act 1949 and the 1985 Interception of Telecommunications Act which came into force in April 1986. Naturally, the use of a transmitter to eavesdrop could not be licensed, so rendering the "bugger" liable to prosecution under the 1949 Act, and, on conviction, to a maximum penalty of three months' imprisonment and/or a fine of £2,000. But, because transmitting devices used in bugging are very low powered and the chances of them causing outside interference is minimal, detection by the Radio Investigation Service of the DTI is virtually impossible.

What is believed to be the first prosecution under the 1985 Act is now underway. The accused are charged under the Criminal Law Act 1977 with conspiracy to intercept telephone calls. The maximum penalty on summary conviction is a fine of £2,000, and on indictment two years' imprisonment and/or a fine. But, with the installers of bugs apparently able to receive payments as high as £10,000, the value of the information to a competitor, and the devices themselves being freely available, many experts are questioning whether the present level of fines is sufficient deterrent.

Exchange & Mart sells devices, quite openly for as little as £5. A catalogue produced by one European company offering a range of "disguised listening devices," marketed as being "for government use." Some of them are planted by a member of staff paid by a competing company. In other cases, someone working for an outside contractor has been bribed to allow access for the device to be installed. The cleaner is quite a common culprit. The bugs can be disguised as to make them undetectable without specialist equipment. One example is the transmitter built into and powered directly from a wall socket, another operates from within a light bulb, with the added advantage that the eavesdropper does not need to return to replace batteries. A third is attached to the handset wiring or distribution box of a telephone, using the telephone's system's electric current. Transmission range can be anything up to 500 yards.

Transmitting devices are now available to pick up data. These can be placed in the bank of a computer terminal, or on a junction box or anywhere along a telephone line. A printer can be attached to the back of a van parked in the street, to provide a hard copy of the data as it is being composed. The shorter the transmission distance, the less chance it has of being discovered.

According to Mr Kenneth Lodge, managing director of Security Investigations and Protection Services International: "Many companies live in blissful ignorance. They prefer to think that this sort of thing doesn't happen. When a device is found, the response of the company has been to keep it



The bugger was never found

quiet, to avoid a fall in the share price or public scandal, and to take action to avoid any recurrence. SIPS carries out sweeps of premises for companies concerned about the leakage of sensitive information, charging on average £1,200 a day, and using counter-surveillance receivers and telecommunications analysers, costing £15,000 a piece. It was recently involved in the installation of a permanent system for a European defence establishment at a cost of £150,000. This will sweep all telephone lines, data terminals and sensitive office space.

SIPS discovers a device during 5 per cent of its sweeps, which

'Many companies live in blissful ignorance. They prefer to think that this sort of thing doesn't happen. When a device is found, the response has been to keep it quiet.'

can include tracing all wiring, even along conduits. Recording devices are often found during a physical search.

But, says Mr Lodge, his investigators can be called in long after the information has been gathered and the bug removed. There are some clients, though, who ask for a sweep to be carried out on a regular basis, for example, before a major board meeting.

According to the manager responsible for security at a leading merchant bank: "We take precautions against telephone tapping and bugging of our premises and the bank has been hiring a company to carry out regular sweeps for some time. We have increased the frequency of those recently, especially at particularly sensitive times, for example, during a takeover battle. It is something that accepting houses in general are doing much more than they used to."

This bank also has two anti-bugging machines of its own, each costing £800, and placed in rooms for highly sensitive meetings. These are supposed to jam any signals from transmitters. Ironically, perhaps these jamming devices could themselves be a source of information, if they are used to intercept the 1949 Wireless and Telegraphy Act. "Though we haven't come up with anything, I hope that the fact that we've taken these precautions and that it is known throughout the bank will act as a deterrent."

The bank also takes steps to clear cleaners. It has received assurances from the contractors that their employees' records are checked, and any cleaner going into sensitive areas is subject to the bank's own clearance procedures. "With some people, such as telephone engineers, carry out even more intensive checks."

This is a point reinforced by Mr Lodge. Companies may have all kinds of security procedures,

around their offices, but the telecoms exchange in the basement can often be wide open to telephone tapping.

Though the bank does not use scramblers for telephone conversations, that is now under consideration.

Speech scramblers can be a useful part of any corporate voice security," says Dr Tony Bromfield, a consultant with Ernst & Whinney.

Commercially available devices provide different levels of protection against threats such as line tapping. But they do not protect against listening devices placed inside a telephone user's office. The difficulty is that they may be thought by users to offer protection against threats they are not designed to meet.

Scramblers are typically used by senior management to protect corporate secrets and, by security services, and may, in the future, be offered as an option to protect cellular telephone networks which are particularly vulnerable to eavesdroppers.

The use of speech security systems is likely to increase with the introduction of digital private and public telephone networks, believes Dr Bromfield. "Only then will it become cost effective to implement large secure networks. Future networks would allow users as dealers in financial markets to authenticate transactions made over the telephone. At present, dealers cannot be sure of the identity of the person at the other end."

Some security consultants argue that bugging the boardroom or tapping the telephone can be unnecessary while plenty of information is left at hand on desks and in unlocked drawers. Companies may suspect they are being bugged, but Mr Lodge has found carbon tapes from typewriters or printers in rubbish bins during sweeps of company premises. Hatched out along the tapes is all the information the competitor wants.

There are now machines to destroy such materials. Volumetric, the Coventry-based company, has already sold between 200 and 300 Disintegrators worldwide to banks, credit card companies, defence contractors and large industrial concerns. All branches of the British Armed Forces and several Royal Navy ships are equipped with them.

There are two reasons for organisations buying Disintegrators rather than shredders, says the company. Either the materials they need to destroy are too bulky or tough, or the volume of material to be destroyed is too large.

The materials that Disintegrators can handle but which shredders cannot include most data storage media, microfilm, video or audio cassettes, floppy disks, whole ring binders including the metal components, whole books, magazines, and reports, unburst computer printout cheque book stubs and offset printing plates. They are also being used to destroy printed circuit boards.

But such precautions ought to be seen in the context of a far broader management approach to security. The businessman often fails to appreciate the wide range of data that could be useful to a competitor. Today "industrial spy" is frequently able to obtain confidential material by quite lawful, and in some cases, ethical means. Equally, say consultants, the workforce should be made aware that by jeopardising the firm's confidentiality, for example by the discussion of sensitive business matters in public or with strangers, its own fortunes can be damaged.

Alastair Guild



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|---|--|

CORPORATE SECURITY 4

Security printing

Confidential night workers

PRINTING HOUSES have been among the unsung heroes and the main beneficiaries of the financial revolution. While the City itself has been rocked by scandal and intrigue, their reputation for maintaining strict confidentiality during takeover battles and privatisations has remained intact.

That is all the more remarkable against the background of shorter and shorter turnaround times for more and more documentation. The security printing industry has become a bit like the newspaper industry, with more people generally working on nights than days. It is quite usual for customers to give the final go-ahead for an offer document at midnight and expect the printed document on their desks first thing the next morning.

Heavy investment in computerised typesetting across the industry has helped houses meet such deadlines, with direct input, single key operation, and automatic page make-up, for example, more or less standard.

The printing houses engaged in this sort of work typically produce a wide range of less urgent documents at plants in London and outside. More often than not linked electronically, they can be called into play to handle the sudden surge associated with mergers and privatisations.

Oyez Press, with the help of associate companies within BPCC handled the entire production for the Rolls-Royce issue, for example. One million copies of 61 different documents were produced in 30 hours, while a group specialist plant in Leeds produced 2.5m other items in three days, such as special share allocation forms with return cheques attached, and unique identifier labels for employees to ensure that they were able to apply only for shares to which they were entitled.

But, at times, confidentiality must be maintained for longer periods. The Hanson Trust bid for Imperial, the largest the City has seen to date, became a four-month battle, and was further complicated when United Biscuits was asked to become "a white knight" for Imperial.

According to Mr David Butler, an Oyez director, "the only available copy of the share register was put on to computers by us, so we more or less acted as registrars, ensuring that once an acceptance had taken place, we were able to keep the merchant bank informed of progress."

"Confidentiality is of paramount importance as one wrong reply to a telephone inquiry can confirm the position of a company about to reject a bid. We

train our staff just what to do and say in such situations."

"Any breach of confidentiality would be a major embarrassment, not just to the company but to the industry as a whole," says Mr Bill Morter, sales director at Greenaway Harrison, one of the big four printing houses sharing the takeover market in London. Part of the Lomho Media Group, Greenaway was the printer for Guinness, and for Imperial and Woolworths in their defence against bids by Hanson Trust and Dixons respectively. It reports an increase in turnover of more than 20 per cent since deregulation.

"Confidential printing accounts for two-thirds of annual turnover, but there is a degree of security and confidentiality in most of our work," says Mr Morter. The firm

the vast majority of cases coded until the last moment.

All documents, once approved and printed on the company's own watermarked paper, are dispatched with security covers. Any documents not sent out to a customer are shredded on site and disposed of in bale form. Material stored on computer is archived once a week, copies made and stored off site in bonded, bomb-proof, fire-proof safes with clear procedures about who has access.

Williams Lea has, like the other large printers, established electronic links with printers overseas to cater for an increasingly international market. Again, confidentiality is of the essence. Documents transmitted over the telephone lines are scrambled, coming together only once the data has been received. Such techniques were

the company circulate in more than 30 countries, it is the largest producer of traveller's cheques in the world, and prints passports—it produced the first ever passport with a hologram through it—and identity cards for governments. It is also among the leading producers of bearer securities, cheques, postal orders and other documents of value.

Standard characteristics to minimise the possibilities of counterfeiting are a watermark and intaglio border. Added security measures include complex background patterns generated by computer and laser. Optional extras, such as latent images, only apparent when the paper is held at certain angles, are also available. The paper used is dull and does not reflect ultra-violet light, whereas most commercial counterfeits use bright paper.

"The company started as a printer of bank notes, so our standards of security are set by that," says Mr David Willis of Bradbury Wilkinson De La Rue. All its products are produced in a secure location, under secure procedures with people who are trustworthy and on the company's own paper. Paper stocks are continuously audited to ensure none goes astray. After printing, bonds, for example, are escorted from the factory to the depository door. "Bond issues have been lost by printers, though not by De La Rue. It is embarrassing if it is an issuer and the lead manager."

For London listings, every issue has to have its own unique border, while in Luxembourg there is no such requirement. "That makes it more cost effective to print, but easier to counterfeit," says Mr Willis.

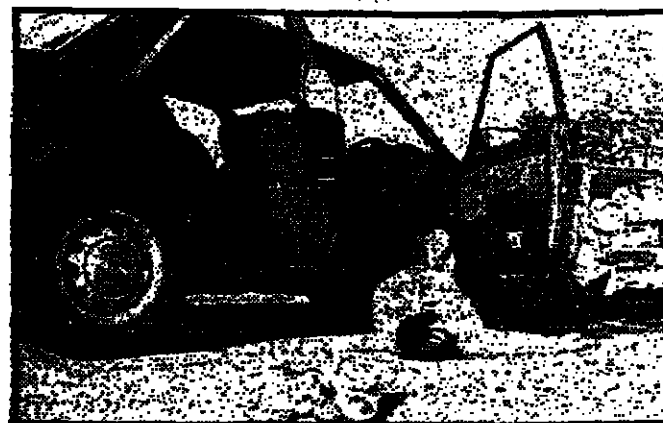
There are other deficiencies in the protection of bond issues against fraud, he believes. Each coupon attached to the bond itself has a life of its own. These coupons can be worth upwards of \$500 yet there is no requirement to take the other coupons or the bond along when redeeming the coupon. Because they are so small, it is difficult to put them into a computer. We include fluorescent numbers and micro lettering along the cut line."

Vast amounts are spent on research and development, just to keep a few steps ahead of the counterfeiters.

Alastair Gault

Bodyguards

Escort service



Executives take part in realistic training exercises

IN THE murky world of kidnap, abduction, product contamination and extortion, fiction and fantasy can often become confused with fact and reality. There are several myths which companies' specialists in advising companies and businessmen are particularly keen to dispel.

They stress that they never carry weapons, even in the most high-risk areas of the world, and that they will take on a assignment only when the client agrees to co-operate with the law enforcement agency of the country concerned.

Bodyguarding, as such, is a very small part of their business. The emphasis is rather on prevention and crisis containment as a whole, and, in the case of product extortion, which cannot, in the first instance, be prevented, helping companies devise management strategies to minimise the damage to their reputation and financial standing.

"We describe our people as escorts rather than bodyguards," says Mr Alan Hoe, a director of Shield International, a director of Shield International. "In the case of product extortion, which cannot, in the first instance, be prevented, helping companies devise management strategies to minimise the damage to their reputation and financial standing."

Demand for Shield's escorts comes mainly from the US and the Middle East, reports the US businessman, being UK-based. International incidents can prompt an upsurge in demand. Interest from American businessmen shot up following the bombing raid on Libya, prompted by the fear of reprisals. Visiting dignitaries account for 30 per cent of Shield's bodyguarding business, some of them leaders of African countries worried about the possibility of attacks by opposition groups based in the UK.

The safety of European businessmen travelling overseas can also be jeopardised by international incidents, according to Mr Hoe, the main threat comes generally not from kidnapping but from the executive becoming accidentally caught up in terrorist action, for example, at airports. Today, with few recent incidents immune from instability of one sort or another, companies such as Shield and Control Risks emphasise the need for a businessman to be constantly updated.

The number of kidnaps recorded by the US State Department increased fourfold between 1972 and 1985. Forty years ago, 20 countries were affected; now there are more than 100.

"A lot of businessmen are unaware of the true risk in different parts of the world," says Mr Simon Adams-Dale, managing

director of Control Risks Prevention Services. "It can be difficult, especially for the busy executive, to put the correct interpretation of all the information available."

Indeed, one of the main aims of the Research Foundation for the Study of Terrorism, an independent charitable educational trust, is to finance a project comparing trends in kidnapping and other forms of terrorism, drawing on data bases throughout Europe.

"In Latin America, Spain and Italy, for example, there appears to be a strong tradition of criminals kidnapping for money," says Mr Paul Wilkinson, chairman of the Trustees and Professor of International Relations at Aberdeen University. "Their victims tend to be wealthy individuals from their own country, perhaps because they feel they are more likely to get away with it without involving the full force of foreign security forces."

"In the Middle East and South-East Asia, the value of foreigners is seen to be so great that they are the most sought-after target."

But for business as a whole, the most damaging form of terrorism is the protracted campaign, such as is taking place in the Basque country or Corsica, says Prof Wilkinson. Employees' morale drops, and companies find it difficult to attract investment.

"The decision whether to stay or pull out is more an art than a science," says Mr Hoe. "Keeping a close watch on the political situation, companies will be in a better position to make the right decision."

Control Risks, which is understood to be the security organisation providing a "full protection" package to business travellers using travel agents Thomas Cook, offers a regular

subscription service, gathering together information on different parts of the world. This is available, either in hard copy once a month or on-line, updated daily and is currently subscribed to by 450 companies. Ninety per cent of the information is "in the public domain" in one form or another. The other 10 per cent comes from the company's own sources in a country or region. A "stranger" on the spot, usually with an extensive background, is regularly. Each region also has a "desk officer" responsible for producing the daily and monthly updates.

More in-depth analyses take a longer perspective, some looking as far as five years ahead. "Most companies have a short-term interest in a country, perhaps because they are sending out one of their executives," says Mr Adams-Dale. "Others, such as companies thinking of investing or disinvesting, want a longer-term view." One example is a major bank planning a major computerisation of its operations in the Solomon and Vanuatu Islands.

Control Risks also brings together syndicates of companies which "perceive they have a common problem, but cannot perceive what that problem is—say, companies facing threats from animal rights groups." They then discuss it among themselves and come up with a common solution.

Much of Shield and Control Risks' work goes far wider. Asset Protection, part of the Shield Group, offers security consultancy, carrying out total security audits. Mr Hoe recently returned from Peru, advising a large American corporation on the precautions it should take to protect its buildings and personnel. This included reconnoitring roads from residences to the premises, and sorting out the safest possible route.

Shield is also receiving a growing number of inquiries for its security awareness courses for executives. These teach how to recognise an incident in its infancy and how to search cars and baggage, homes and office life to minimise the risks in an unstable country.

Control Risks has a company specialising in designing systems. Both procedural and physical. Much of its work takes place before a building is constructed, designing in access control, surveillance and fire safety systems, anticipating possible changes in threat levels or advances in technology which could render such systems obsolete.

Protection of people involves surveys of residences, offices, locations or factories and the training of people with a security function, such as drivers, guards or businessmen themselves. In areas of acute threat, bodyguards can be provided.

Contingency planning is another essential element, preparing companies for disasters, such as kidnapping or product extortion. "Issues involved in disasters are discussed with the client and we suggest management structures to enable them to respond to a crisis," says Mr Adams-Dale.

Control Risks has produced a checklist for clients worried specifically about product extortion. It has also started an information service to keep them abreast of the lessons learnt by Control Risks from its handling of such incidents in America and other countries, such as Australia where they are becoming a problem.

Control Risks has handled 45 cases of product extortion, two of which illustrate the benefits of pre-planning.

Company A received a written threat last year at a store in the West Country. There were no instructions about how to handle such communications. The secretary who received the letter told her colleagues and someone spoke to the local police station. Uniformed police arrived to investigate, and a short time later a local journalist appeared. The first that head office knew of the incident was a phone call from the press asking about the safety of a well-known and highly profitable consumer product. Considerable publicity followed the incident, with drawn locally and losses were estimated at £2m. The threat turned out to be a hoax.

Company B had established a sound working relationship with local police. With the help of Control Risks, the company simulated incidents and planned for contingencies. When a genuine threat was received, it was contained and analysed. Working in close co-operation with the police, the company responded in a planned and organised way. The extortionists were arrested and the threat removed.

Had the incident become public knowledge, it is likely that the product line would have been terminated, 400 jobs lost and the recall, destruction and associated costs would have exceeded £1m.

Kidnap, Hijack and Extortion, by Richard C. Oakes, published by Macmillan, 1987. International Terrorism Threat and Response, by Alan Hoe and Eric Morris, to be published January/February 1988 by Macmillan Research Foundation. The Study of Terrorism, 40 Doughty Street, London WC1N 2LF. Alastair Gault

Insurance companies

Commercial theft claims double

INSURANCE COMPANIES are constantly reviewing their approach towards corporate policy holders, though they are unlikely to introduce a system of discounts for those taking certain security measures, as they have done in the domestic sector.

According to the technical manager of the risk improvement department of one major insurance company: "In a lot of cases, it's a constant fight to get companies adequately to secure premises. If insurance companies offered reductions, this might act as an incentive. Indeed, we may reflect above-standard security precautions in our rates."

However, the prevailing attitude among insurers at present is to tell companies seeking cover: either you improve your security or we will issue a policy. The major insurers have their own teams of surveyors who are expected to use their discretion and experience to achieve reasonable security, bearing in mind what is at risk. The amount a shop, for instance, would be asked to spend in security would reflect the volume and value of stock. The installation of CCTV is not generally required before a policy will be issued.

Premiums will usually reflect the type of risk and the level of crime in a particular area. In the range of "very hazardous" and "ultra hazardous" goods are clothing, fur, hi-fi equipment, home computers, computer games, jewellery and precious metals, radios and TVs, record players, tobacco and clocks are in the increase.

The Association of British Insurers reported a 14.9 per cent increase for commercial theft losses in 1986 over 1985. At £78m, they have more than doubled since 1981. But large companies do not always insure

against theft. The value of contents may be high, but the risk of theft low. But it is still important to take adequate security precautions to keep out vandals or potential arsonists.

Vandalism, if it occurs during a burglary, would be covered under a theft policy, but if someone broke in and set the premises alight, that would be dealt with under a fire policy. "Some companies take out separate theft insurance, but the number of mono policies has reduced considerably," says one insurance company risk manager. "It is generally more advantageous to take out a package policy."

Corporate insurance companies themselves separately against staff dishonesty by fidelity guarantees. This has traditionally been aimed at theft of money, but has been extended to cover the loss of a computer. Collusion between an employee and someone outside a company to commit a crime is not generally something that insurance companies will cover. As the representative of one insurance company put it: "This would be an encumbrance to fraud. It must be the employer's responsibility to ensure that he vets his employees thoroughly, though some firms ask to have their staff bonded and take out a separate policy to cover that."

Theft by computer is something the insurance companies are not taking far more seriously, though, says one risk manager, "it is an area the industry hasn't developed as much as it should. The opportunity for fraud obviously exists, but it is our success in tracing those frauds that will save or lose us money. We're working on it, but because of the confidentiality of information involved, it is sometimes not as easy as we would like to get all the information we need."

This "emerging interest" in

computer crime among insurance companies in Western Europe is confirmed by Frost and Sullivan's report on the Data Security Equipment and Services Market in Europe. "But as yet, there is not sufficient concrete evidence available to do more than quote for specifically defined risks on a case-by-case basis."

Kidnapping and ransom insurance is another specialist area. The EC is apparently considering whether to outlaw such policies. This followed a call last year by Dr Garret Fitzgerald, the former Irish Prime Minister, for a European ban on kidnapping and ransom business. An argument against such a move, put by Mr Alan Hoe, of Shield International, is that "by taking out k and r insurance, a victim, whether a company or an individual, is able to use the services of professional negotiators or advisers, so ensuring that less money changes hands."

Cassidy Davis, a Lloyd's underwriting agency looking after the affairs of three syndicates, insures most of the k and r business done in London, as well as writing exclusively product extortion policies, and is aware of the charges that its activities might encourage the crime. The total volume of the premium income for this class is currently \$70m worldwide, \$40m of which is underwritten at Lloyd's each year. The reinsurer is Chubb's Federal Insurance and the American International Group. The \$30m of premiums they earned in 1986 is double the figure five years ago.

The number of insureds covered by Cassidy's has increased, but the size of the premium paid has fallen, due partly to the use of prevention services provided by companies such as Control Risks. Yet many kidnap victims have not been

insured. Of 2,542 kidnaps recorded by Control Risks since 1975, 99 were covered. Only three of the 14 payments over \$5m recorded since 1973 were insured. Most of the 115 kidnaps over the past 10 years in which a ransom of over \$1m was paid were insured.

To counter possible objections, k and r policies contain a number of standard conditions, which generally apply also to product extortion:

- The policy is one of reimbursement. No insurer would ever pay or fund a ransom payment. Insurers only settle once an incident is over.
- The existence of a policy must never be disclosed. If it is disclosed, insurers have the right to void payment.
- Co-operation with law enforcement agencies is conditional to the contract of the insurance.
- The policy limit is always less than the net worth of the insured.

As with any policy, underwriters would not reimburse any insured who had committed an illegal act.

It is also a requirement that clients establish procedures so that they are reasonably prepared for a kidnapping attempt. Control Risks' services are often free when taking out such insurance.

The insurance industry should be using its influence throughout the area of security, says Mr David Fletcher, chief executive of the British Security Industry Association. "We would like to see them insist on higher standards before taking on business. Too often they have the price of a service as a first consideration, believing that if they insist on a service costing more, the customer may go to another insurance company not so insistent."

Alastair Gault

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WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 18 1987				THURSDAY SEPTEMBER 17 1987				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Figures in parentheses show number of stocks per grouping											
Australia (93)	180.26	+1.3	163.43	163.17	2.30	177.98	160.26	161.59	380.26	99.92	79.24
Austria (16)	100.26	+2.1	89.79	94.06	2.19	98.23	88.45	92.64	101.62	85.53	92.65
Belgium (48)	127.98	+0.2	114.61	118.98	3.57	127.73	115.01	119.07	134.89	96.19	90.13
Canada (129)	135.04	+0.2	120.94	128.49	2.32	134.74	121.32	128.34	141.78	100.00	97.96
Denmark (39)	118.24	+2.1	105.89	111.77	2.53	115.80	104.27	110.05	124.83	98.18	96.75
France (121)	113.76	+2.1	102.67	109.27	2.14	110.27	104.59	108.90	121.92	95.23	95.23
Germany (192)	101.89	-0.4	91.25	95.64	1.97	102.26	92.08	95.34	104.93	84.00	92.97
Hong Kong (45)	145.81	+1.8	130.58	146.03	2.48	142.28	129.02	143.56	147.36	96.89	76.96
Ireland (14)	143.50	+0.8	128.51	136.02	3.28	142.43	128.25	135.19	145.49	99.50	83.73
Italy (76)	98.75	+2.9	79.48	86.36	2.10	96.26	77.42	84.45	112.11	84.22	90.55
Japan (458)	142.59	+0.1	127.64	128.52	0.53	142.45	128.27	129.08	161.28	100.00	95.90
Malaysia (16)	171.01	-1.5	153.15	165.84	2.21	173.66	156.37	168.71	193.64	98.24	90.03
Mexico (14)	173.03	-0.9	153.86	163.15	0.47	178.59	160.90	163.49	182.59	99.72	60.39
Netherlands (57)	124.33	+0.1	113.22	118.12	1.53	124.08	113.22	115.49	124.08	99.65	97.30
New Zealand (24)	138.67	+0.4	124.37	115.20	2.58	138.31	124.54	115.09	138.97	83.93	69.32
Norway (24)	184.40	+1.6	165.14	165.63	1.65	181.57	163.50	163.77	184.40	100.00	105.48
Singapore (27)	164.13	-1.5	146.95	157.70	1.55	166.65	150.06	160.59	174.28	99.15	89.15
South Africa (16)	182.45	+0.1	163.49	132.95	3.15	182.29	164.09	132.79	198.79	100.00	108.27
Spain (47)	145.14	+0.7	147.89	151.09	2.61	145.92	144.09	152.50	165.92	100.00	96.19
Sweden (33)	129.27	+0.1	115.77	121.57	1.90	129.12	115.77	121.57	132.10	90.85	97.05
Switzerland (5)	108.78	+0.4	97.42	108.78	1.64	108.31	97.42	108.78	110.31	99.65	95.44
United Kingdom (333)	130.99	+1.6	141.50	140.50	3.17	130.58	140.09	140.09	162.87	99.65	95.32
USA (586)	128.68	-0.1	115.24	128.68	2.85	128.76	115.94	128.76	137.42	100.00	96.52
Europe (929)	128.68	+1.0	115.42	118.55	2.78	127.58	114.88	118.00	128.88	99.78	95.13
Pacific Basin (683)	144.08	+0.1	129.03	130.27	0.68	143.87	129.55	130.67	158.77	100.00	94.61
Asia-Pacific (1612)	138.06	+0.5	125.67	125.57	1.46	137.42	125.73	125.73	157.42	99.65	94.61
North America (715)	129.05	+0.5	115.94	129.05	2.83	128.07	115.94	128.07	158.77	100.00	96.60
Europe Ex. UK (996)	130.78	+0.5	99.22	104.22	2.44	130.19	99.22	104.22	111.97	98.02	95.05
Pacific Ex. Japan (225)	163.32	+1.1	146.27	152.94	2.34	161.49	145.41	150.95	163.32	99.92	78.40
World Ex. US (1016)	130.99	+0.5	125.67	125.57	1.46	130.58	125.67	125.57	157.42	99.65	94.61
World Ex. UK (234)	130.99	+0.5	125.67	125.57	1.46	130.58	125.67	125.57	157.42	99.65	94.61
World Ex. Japan (1944)	130.99	+0.5	125.67	125.57	1.46	130.58	125.67	125.57	157.42	99.65	94.61
World Index (2402)	130.99	+0.5	125.67	125.57	1.46	130.58	125.67	125.57	157.42	99.65	94.61

Base values Dec 31, 1986 = 100

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EUROPEAN OPTIONS EXCHANGE

		Nov 87		Feb 88		May 88		
	Series	Vol.	Last	Vol.	Last	Vol.	Last	Stock
C	P	\$480	42	8.50	30	7.60	---	\$461.50
C	P	\$440	132	4.30	30	7.60	---	
C	F	\$460	7	10	10.30	---	---	
		Sept 87		Dec 87		March 88		
C	P	\$500	20	263	---	---	---	\$763.50
C	P	\$500	12	214	---	---	---	
C	P	\$700	121	75	---	---	---	
C	P	\$750	49	13	---	---	---	
C	P	\$800	---	---	36	44	---	
C	P	\$900	22	36	---	---	30	50
C	P	\$950	---	---	20	115	---	
C	P	\$850	53	86	---	---	---	
		Sept 87		Oct 87		Nov 87		
C	P	F1335	36	13.50	---	---	---	F1334.50
C	P	F1305	12	0.05	---	---	---	
		Dec 87		Mar 88		June 88		
C	P	F1335	200	2.80	---	---	---	F1334.50
C	P	F1335	---	---	150	0.70	---	
		Sept 87		Oct 87		Nov 87		
C	P	P1100	---	13.50	---	---	---	F1202.50
C	P	P1195	276	8.20	---	---	---	
C	P	P1205	202	2.90	20	4.30	20	5.50
C	P	P1205	202	2.90	20	4.30	20	2.50
C	P	P1205	202	2.90	20	4.30	20	
C	P	P1210	998	0.05	261	1.40	---	
C	P	P1215	287	1.40	388	1.70	---	
C	P	P1210	64	6.40	---	---	---	
C	P	P1215	287	21.50	---	---	---	
C	P	P1220	46	16.60	---	---	---	
C	P	P1235	36	31.60	---	---	---	

[illegible][illegible]

مجلسه اول

LONDON SHARE SERVICE

Money Market Bank Accounts

CANADA

Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close	Sales	Stock	High	Low	Open	Close
TORONTO																							
<i>Closing prices September 18</i>																							
102545 Alcan Int	\$10 1/2	16	15	15 1/2		34800 Computlog	\$7 7/8	7 1/4	7 1/4		17100 Lunomatic	\$9 1/4	9 1/4	9 1/4	- 1/4	400 Scots C	\$1 1/4	1 1/4	1 1/4	1 1/4	-	1/4	-
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		38000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC	\$1 1/4	1 1/4	1 1/4	+	68800 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	14000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	14000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Seagrass	\$8 1/2	8 1/2	8 1/2	8 1/2	+	1/2	+
10535 Albitol Pr	\$30 1/2	35 1/2	35 1/2	35 1/2		10000 Comvep Inc	\$20 1/2	20 1/2	20 1/2	+	11000 MRC H X	\$1 1/4	1 1/4	1 1/4	+	10000 Se							

OVER-THE-COUNTER *Nasdaq national market, closing prices, September 18*

Continued from Page 41

Stock										Stock										Stock										
High Low Last Chng										High Low Last Chng										High Low Last Chng										
Continued from Page 41																														
OpenCo 40	7	170	185	18	18 1/4	+				Public	354	129	125	125	+					US Ser	40	22	31 1/2	30 1/2	30 1/2	30 1/2	30 1/2	30 1/2	30 1/2	
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	125	+					US Trs	14	123	123	123	123	123	123	123	123	123
Onco 40	62	77 1/2	185	15	15 1/2	+				Public	354	129	125	1																

Indices

NEW YORK

DOW JONES									
	Sept. 18	Sept. 17	Sept. 16	Sept. 15	1987		Since completion		
					High	Low	High	Low	Low
4 Industrials	2534.44	2527.90	2530.19	2556.58	2613.04	1927.31	2722.42	41.22	
Composite	2534.44	2527.90	2530.19	2556.58	2613.04	1927.31	2722.42	41.22	
High Bonds	84.36	84.31	84.39	84.65	84.72	84.27	84.72	84.27	
Transport	1013.83	1021.47	1024.76	1033.46	1033.72	1013.83	1033.72	1013.83	
Utilities	194.17	195.29	195.71	197.25	197.25	191.39	197.25	191.39	
400's High	2554.83	2557.28	2561.00	2590.00	2613.04	1927.31	2722.42	41.22	

STANDARD AND POOR'S									
Composite	314.86	314.93	314.86	317.74	326.77	296.81	326.77	296.81	
Industrials	308.04	308.06	307.97	311.55	320.17	274.58	320.17	274.58	
Financials	29.68	29.66	29.77	30.05	30.43	29.47	30.43	29.47	
NYSE Composite	176.36	176.48	176.51	177.98	182.99	161.01	182.99	161.01	
Average Ind. value	303.65	302.61	303.47	307.78	316.07	267.49	316.07	267.49	
NASDAQ OTC Comp.	440.85	440.75	440.85	441.94	450.28	393.26	450.28	393.26	

DOW INDUSTRIAL DIV. YIELD									
	Sept. 11	Aug. 28	Aug. 21	year ago (approx.)					
	2.63	2.59	2.52	3.87					
S & P INDUSTRIAL DIV. YIELD									
	Sept. 16	Sept. 9	Sept. 2	year ago (approx.)					
	2.36	2.36	2.30	3.16					
S & P P/E ratio	22.71	22.64	23.25	18.38					

TRADING ACTIVITY									
	Sept. 18	Sept. 17	Sept. 16	Sept. 15	NEW YORK		Sept. 18		
					Issues Traded	1,592	1,975	1,977	
					Short	679	680	509	
					Fail	438	477	452	
					Unchanged	438	477	452	
					New Highs	4	5	28	
					New Lows	—	6	55	

CANADA

TORONTO									
	Sept. 18	Sept. 17	Sept. 16	Sept. 15	1987				
					High	Low			
Metals & Minerals	3315.4	3246.1	3216.5	3235.5	3483.6 (WB)	3086.2 (CI)			
Composite	3912.8	3901.0	3908.3	3911.2	4112.9 (WB)	3617.8 (CI)			
Montreal Portfolio	1941.41	1932.94	1936.27	1939.90	2226.77 (15/7)	1594.3 (CI)			

NEW YORK ACTIVE STOCKS

Friday									
Stocks	Closing price	Change on day	Stocks	Closing price	Change on day				
Dynegy Inc.	4,644.00	—	IBM	2,200.00	15 1/4				
United Ther.	3,165.00	24 1/4	Upjohn	2,225.00	4 1/4				
USF & F	3,278.00	41 1/4	Cap Inc.	2,069.00	—				
USF & F	3,278.00	41 1/4	United	2,165.00	5 1/4				
USF & F	3,278.00	41 1/4	Gen. Elec.	2,004.00	3 1/4				
USF & F	3,278.00	41 1/4							

	Sept. 18	Sept. 17	Sept. 16	Sept. 15	1987		High		Low
AUSTRALIA									
All Ind (CI/87)	2005.5	2281.1	2274.5	2230.6	2305.5 (1/87)	1406.7 (2/82)			
Metals & Minerals (CI/87)	1461.2	1461.1	1460.8	1461.4	1563.3 (4/86)	729.1 (2/81)			
ASIA									
China Africa (CI/2/86)	223.10	219.48	218.33	217.45	230.60 (CI)	162.21 (1/86)			
BELGIUM									
Stevens Stee (CI/86)	5134.57	5128.34	5142.47	5136.91	5415.25 (1/86)	3987.86 (4/81)			
DENMARK									
Capagene Stee (CI/87)		204.9	203.49	204.88	219.76 (2/86)	139.64 (6/81)			
FINLAND									
United General (CI/75)	650.2	640.4	640.8	637.1	650.2 (1/86)	425.3 (5/81)			
FRANCE									
Ind. Ind. (CI/2/86)	492.20	425.8	426.0	427.7	440.4 (6/79)	392.8 (2/81)			
Ind. Ind. (CI/2/86)	113.6	113.0	113.0	113.1	117.2 (2/86)	97.8 (2/81)			
GERMANY									
FAZ A&S (CI/1/2/86)	61	646.13	644.43	651.77	626.94 (6/81)	538.32 (1/83)			
Ind. Ind. (CI/2/75)	1973.1	1986.4	1983.3	1988.9	2063.10 (1/86)	1633.6 (1/83)			
HONG KONG									
Shing Sang Bank (CI/7/84)	3649.96	3571.36	3604.64	3646.92	3660.50 (11/79)	2449.88 (2/82)			
ITALY									
Imago Cons. Ind (CI/72)	615.53	613.38	601.96	588.85	761.34 (2/84)	588.85 (2/82)			
JAPAN									
Ind. Ind. (CI/2/86)	2494.84	2493.58	2493.72	2493.72	2493.72 (1/79)	1854.44 (1/81)			
Ind. Ind. (CI/2/86)	2044.67	2051.2	2061.71	2061.71	2228.42 (1/86)	1557.46 (1/81)			
METALS & MINERALS									
AMP Cons. Ind (CI/70)	(a)	(a)	(a)	(a)	534.10 (1/86)	257.7 (2/81)			
Ind. Ind. (CI/70)	(a)	(a)	(a)	(a)	220.00 (1/86)	213.7 (2/81)			
NORWAY									
Ind. Ind. (CI/7/81)	584.44	573.64	563.46	565.40	584.44 (1/81)	361.98 (2/81)			
NETLANDS									
Strake Trans (CI/2/86)	1393.34	1414.60	1434.28	1401.35	1505.40 (2/86)	899.08 (2/81)			
SOUTH AFRICA									
JSE Gold (CI/9/78)	2264.0	2265.0	2268.0	2499.0 (CI/81)	1786.0 (1/83)				
JSE Index (CI/9/78)	2210.0	2204.0	2204.0	2226.0 (1/86)	1423.0 (1/81)				
SPAIN									
Metals Stee (CI/2/86)	317.05	321.26	324.61	316.11	321.26 (1/79)	202.81 (8/85)			
SWEDEN									
Jacobson & P. (CI/1/2/85)	3079.70	3094.90	3129.20	3124.50	3134.30 (1/81)	2111.39 (2/81)			
SWITZERLAND									
Swiss Bank Ind. (CI/2/86)	783.2	780.8	782.3	784.6	784.6 (1/81)	591.7 (2/82)			
WORLD									
W.S. Capital Ind. (CI/7/81)	476.9	476.7	478.5	476.9 (2/86)	361.3 (2/81)				

—Saturday September 12, 1987 (a) TSE (CI)
Base values of all indices are 100 except Brussels SE = 1,000 JSE Gold = 255.7 JSE Industrials = 24.3 and Australia, All Ordinary and Metals = 500; NYSE All Comd = 50; Standard and Poor's = 10; New York Composite and Metals = 1000; Toronto metals based 1975 and Montreal metals based 1975. *Including index of 4 000 Industrials plus 40 Utilities, 40 Financials and 200 Industrials (CI) Closed. (a) Unavailable.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 41

AMEX COMPOSITE CLOSING PRICES *September 18*[illegible]

Company	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412</
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Lisboa 887844 And ask Roberto Alves for details.

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